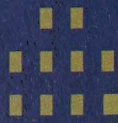


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STRATEGIZE ANALYZE CAPITALIZE



TGS PROPERTIES

TGS PROPERTIES LTD. (TGS) IS A RAPIDLY GROWING COMMERCIAL REAL ESTATE AND LAND DEVELOPMENT COMPANY BASED IN CALGARY, ALBERTA, WITH OWNERSHIP INTERESTS LOCATED IN WESTERN CANADA AND THE WESTERN UNITED STATES. THE COMPANY SPECIALIZES IN THE ACQUISITION, DEVELOPMENT AND MANAGEMENT OF OFFICE BUILDINGS, COMMUNITY MALLS AND INDUSTRIAL WAREHOUSE/STORAGE FACILITIES, AND OWNS MORE THAN 22 PROPERTIES TOTALING OVER 1.7 MILLION SQUARE FEET. THE LAND DEVELOPMENT COMPONENT OF THE PORTFOLIO IS DOMINATED BY THREE SISTERS MOUNTAIN VILLAGE, ONE OF THE MOST SIGNIFICANT LAND DEVELOPMENT PROJECTS IN NORTH AMERICA, LOCATED IN THE BANFF/CANMORE AREA OF ALBERTA. TGS TRADES ON THE TORONTO STOCK EXCHANGE UNDER THE SYMBOL TGP.

FINANCIAL HIGHLIGHTS



(all amounts in \$ millions except per share amounts)

	DEC 31/01	DEC 31/00*	JAN 31/00	JAN 31/99	JAN 31/98
Revenue	\$ 50.5	\$ 20.7	\$10.5	\$ 5.4	\$ 1.9
Rental Revenue	\$ 24.0	\$ 13.2	\$ 9.7	\$ 5.2	\$ 1.8
FFO	\$ 8.5	\$ 2.7	\$ 1.8	\$ 0.9	\$ 0.2
FFO (per share, f/d)	\$ 0.22	\$ 0.09	\$ 0.09	\$ 0.03	\$ 0.03
Net Earnings	\$ 3.4	\$ 0.6	\$ 0.5	\$ 0.4	\$ 0.1
Assets	\$223.3	\$154.2	\$72.2	\$43.3	\$16.3
Shareholders' Equity	\$ 48.8	\$ 47.6	\$12.3	\$ 7.7	\$ 5.2

*for the 11 months ended December 31, 2000

2001 HIGHLIGHTS

- \$25 million private placement
- TGS re-purchased 1.2 million shares in normal course issuer bid
- *Profit, The Magazine for Canadian Entrepreneurs* ranked TGS 18th on its list of Canada's Hottest Startups for fiscal 2000
- William J.A. Heidt joined the company as President, Chief Operating Officer and director

COMMERCIAL BUILDING PORTFOLIO

A plan to restructure the portfolio resulted in transactions that embrace the north/south focus, including:

- The acquisition of a retail fashion outlet mall in Silverthorne, Colorado, marking our entrance into the U.S. market and the launch of our north/south strategy
- The acquisition of one Class A office building in Edmonton, Alberta, and disposition of two mid-market office buildings in Calgary, Alberta, furthering our strategy to sell all buildings under 100,000 square feet and to move the portfolio to a more institutional grade
- The launching of Preston Crossing, the first retail outlet of its kind in Saskatoon, Saskatchewan

THREE SISTERS MOUNTAIN VILLAGE

Streamlining of operations and marketing initiatives resulted in:

- Zoning approval and outstanding sales at Three Sisters Creek subdivision
- *Golf Digest* ranking Stewart Creek Golf Course as the second best new course in Canada in 2001

STEADY INCOME, REALIZATION OF PROFIT AND A CORE COMMITMENT TO THE CREATION OF SHAREHOLDER VALUE ARE AT THE FOUNDATION OF THE COMPANY. THE COMPANY'S SUCCESS IS A RESULT OF ITS ENTREPRENEURIAL SPIRIT AND AN ABILITY TO SEEK OUT AND CAPITALIZE ON STRATEGIC REAL ESTATE OPPORTUNITIES.

REALIZE

STERLING PLACE, EDMONTON, ALBERTA

EDMONTON HAS BEEN RANKED AS ONE OF THE BEST CANADIAN CITIES IN WHICH TO DO BUSINESS. CLASS A OFFICE BUILDINGS AND GOVERNMENT TENANCIES LOCATED IN THE VITAL ALBERTA ECONOMY PROVIDE STABILITY TO THE COMMERCIAL PORTFOLIO AND ALSO PROVIDE AN OPPORTUNITY TO MOVE THE PORTFOLIO TO A MORE INSTITUTIONAL GRADE.

LETTER FROM THE CHAIRMAN

The Board of TGS Properties Ltd. serves as steward of the resources owned by the corporation and its shareholders. We are responsible for oversight – monitoring corporate and management performance, and reporting on it to shareholders. But of equal significance, we collectively attempt to offer leadership, direction, vision and support to the organization and its management. The Board's independent members also bring varied backgrounds and a different perspective to the table.

This report is part of our communications responsibilities, which we share jointly with the corporation's management. It shows a corporation that is actively and successfully pursuing its goals and creating value for its shareholders. We believe it presents a full and fair representation of the last year as well as the challenges and opportunities facing TGS in the years ahead.

One of these challenges deserves special mention. The Board and Management are especially concerned about the existing spread between our stock's market value and the considerably higher estimated net asset value of the company. This has been the subject of discussions with management during the year, including a continuing review of alternatives to remedy the price-value discrepancy.

Ultimately, however, it is management that builds value for shareholders, both as measured by the reality of the balance sheet and the perception of the stock market. The strength of the TGS management team was substantially increased in the year just past.

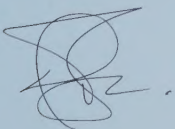
In November 2001, William J.A. Heidt joined TGS as President, Chief Operating Officer and a director. Bill is a seasoned executive with an exceptional track record of successfully leading financial and operational teams, and accelerating corporate profitability. His career in senior executive positions, in multiple industries, demonstrates the leadership abilities that will reinforce and strengthen our organization.

This appointment of a new President and COO separated operational responsibilities from those of the Chief Executive Officer. Blair Richardson, TGS founder and our majority shareholder, continues in his role as Chief Executive Officer. It is his vision and energy that continue to inspire our people to achieve superior results and take pride in their accomplishments.

The strength and effectiveness of the board is immeasurably improved by the quality of its external directors. We were fortunate this year to have two respected business leaders join us. Continuing directors welcomed Donald J. Taylor, a Calgary businessman and President of Engineered Air and Resman Holdings Ltd., and Don V. Bailey, a resident of Denver, Colorado, and President of Triton Investment Company and Triton Properties Inc. Their advice and counsel has already made a difference.

As we move forward, we will continue to add breadth and depth to both the management and governance teams where and as appropriate, while remaining committed to delivering value enhancement to our shareholders.

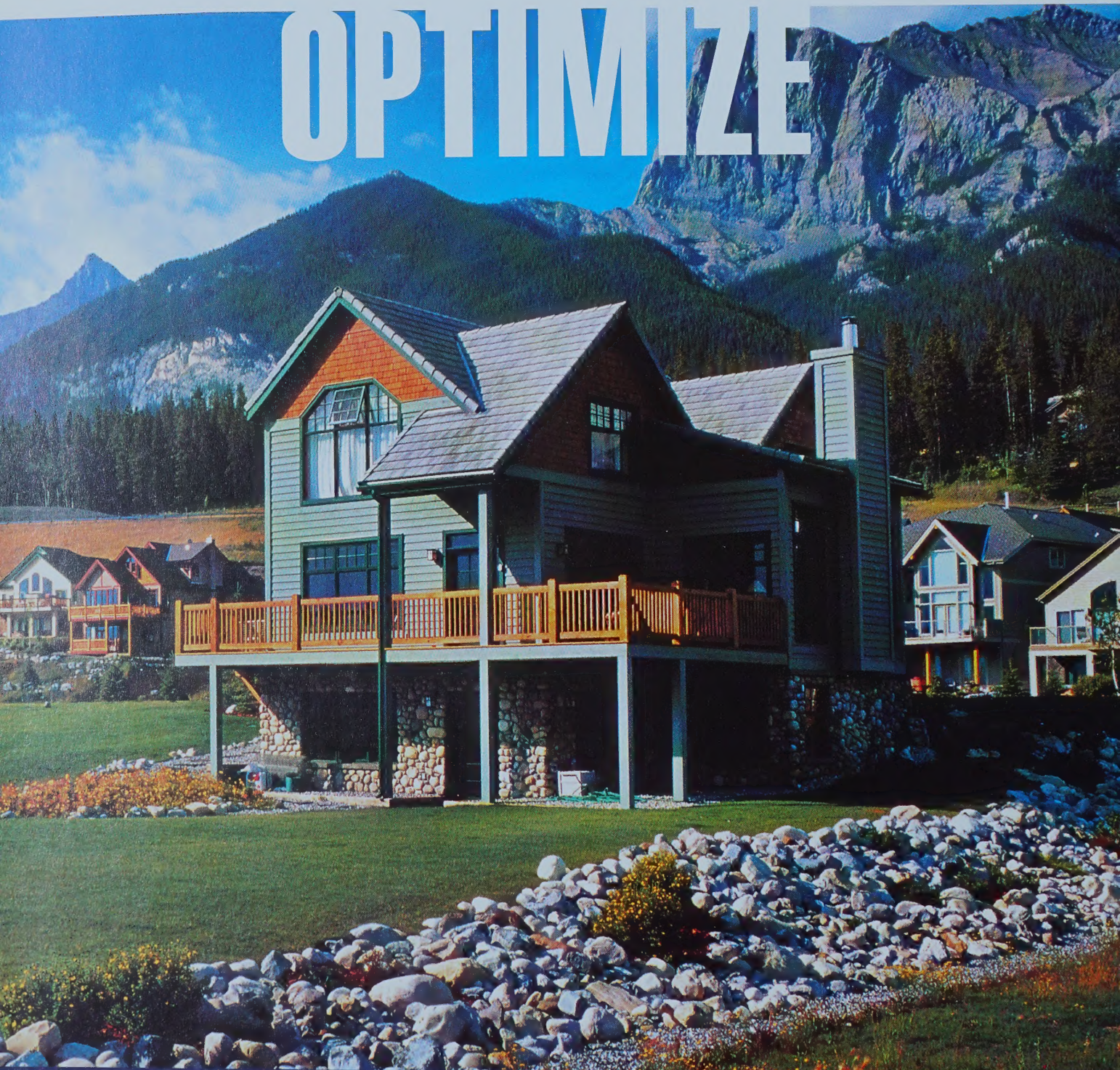
On behalf of the TGS board of directors,



DONALD W. BLACK
CHAIRMAN OF THE BOARD
TGS PROPERTIES LTD.

TGS HAS BEEN CREATED THROUGH THE LAYERING OF A SOLID INCOME-YIELDING PORTFOLIO OF BUILDINGS, LOCATED IN WESTERN CANADA AND THE WESTERN UNITED STATES, AND A UNIQUE LAND DEVELOPMENT IN NORTH AMERICA – THREE SISTERS MOUNTAIN VILLAGE IN THE CANADIAN ROCKY MOUNTAINS.

OPTIMIZE



THREE SISTERS MOUNTAIN VILLAGE, CANMORE, ALBERTA

THREE SISTERS MOUNTAIN VILLAGE PROVIDES TGS WITH A UNIQUE OPPORTUNITY TO CAPITALIZE ON ONE OF THE MOST SIGNIFICANT DEMOGRAPHIC EVENTS OF OUR TIME – THE AGING BABY BOOM GENERATION, WITH ITS RELATED, UNPARALLELED DEMAND FOR VACATION AND RETIREMENT HOMES.

LETTER TO SHAREHOLDERS

During 2001, TGS remained focused on strengthening operations and generating profit, and the financial performance laid out in this report holds the Company in good stead as we move into 2002. The real challenge of 2001 was to gain recognition in the market that will translate into value creation for our shareholders through our solid performance and a proven track record. A key to our success has been the dedication and commitment of the people within the TGS group of companies. Our people share a common vision to succeed and TGS has created a corporate culture that promotes excellence in all facets of the organization. A proactive team of professionals positions TGS to embrace opportunities for continued growth, expansion and achievement.

TGS has a north/south geographic focus, operating in the western regions of Canada and the United States, following the natural economic and trading patterns in the highest growth cities of these regions. Understanding local economies and markets is essential to the success of the company. Further acquisitions will proceed only after we have completed a thorough analysis of an asset. This methodology is consistent with our growth strategy, and has historically enabled us to make solid investments in quality assets. We continue to monitor and review economic activity in British Columbia and several western U.S. cities where new opportunities are becoming available that would add value to the portfolio.

FISCAL 2001 IN REVIEW

In fiscal 2001, the repositioning of our building portfolio advanced with the sale of two office buildings in Calgary, and the purchase of one Class A office building in Edmonton. TGS seeks to increase the number of institutional grade buildings in its income-yielding portfolio by focusing on core assets over 100,000 square feet in seven growth cities, three in western Canada and four in the western United States. During 2001, the company completed the first step in its planned expansion into the United States with the acquisition of a 258,000 square foot retail mall in Silverthorne, Colorado, in the heart of Ski Country USA.

This launched our plan to expand the portfolio with a north/south emphasis, and it moves us toward our ultimate goal of equally distributing our assets between the building portfolio in western Canada, the western United States and the Three Sisters Mountain Village land development project. This will enable TGS to capitalize on opportunities in the more volatile U.S. economy while hedging the asset base with its properties in Canada, which historically has had a more stable economy.

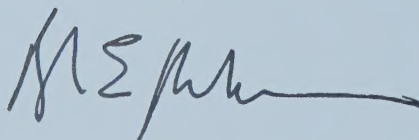
In the first quarter of fiscal 2001, we provided revenue guidance of \$38 to \$42 million, and we are pleased to report revenues for the year of \$50.5 million, as well as funds from operations of \$8.5 million, which exceeded all projections. This was primarily a result of strong property sales at Three Sisters Creek subdivision, which have provided exceptional returns for the company. We are relieved that the impact of September 11th has only mildly affected sales at Three Sisters Mountain Village, and we continue to carefully monitor the economic and consumer trends throughout North America.

TOWARD THE FUTURE

Over the past four years, TGS has experienced tremendous growth, yet we have always remained cognizant of the need to evolve and recognize fluid economic and market trends in the face of rapid expansion. Our strategic business plan clearly and concisely addresses those needs and lays the foundation for TGS to become a stronger real estate company that will realize increased cash flow as it expands. In 2001, we saw the emergence of an economic recession and market downturns, but the acute tragedy of September 11th resulted in a change to the way we live and the way we conduct business. We have been given the opportunity to gain perspective and re-evaluate objectives. Refreshed and grateful, we are eager to embrace relationships and challenges at home and in the workplace.

One of the disappointments in 2001 was our undervalued share price, reflecting a considerable gap between market value and estimated net asset value. Management responded by implementing a normal course issuer bid to support the stock, purchasing 1.2 million shares in 2001. Early indications for the coming year point to a strengthening in both the share price and trading volumes. We are continually in discussions with the investment community, telling the TGS story and providing updates. We are striving to raise the TGS profile and establish relationships that will bring a greater institutional following to the Company. Predictions of slow and steady economic recovery in the second half of 2002 are being carefully monitored as we continue to strengthen our operations and encourage corporate growth at every level. Leadership, effective management and the efficient allocation of resources have built a framework in which TGS will move forward with confidence and strength. TGS has solid assets, produces real cash flow and has the right people in place to accomplish its objectives – to become the third largest commercial real estate company to emerge from Western Canada and create wealth for our shareholders.

This message would not be complete without thanking all of the TGS employees for their outstanding effort in 2001, and we acknowledge with gratitude the continued support of our shareholders.

A handwritten signature in black ink, appearing to read 'Blair E. Richardson', with a long horizontal flourish extending to the right.

BLAIR E. RICHARDSON
CHIEF EXECUTIVE OFFICER

OUR EXCEPTIONAL ASSET MIX AND A FOCUSED NORTH/SOUTH GROWTH STRATEGY HAVE POSITIONED TGS TO BECOME ONE OF THE PREMIER PUBLIC REAL ESTATE COMPANIES TO COME OUT OF WESTERN CANADA.

STRATEGIZE



SILVERTHORNE RETAIL OUTLET, SILVERTHORNE, COLORADO

MANY SUCCESSFUL COMMERCIAL REAL ESTATE COMPANIES TO COME OUT OF WESTERN CANADA HAVE FOLLOWED A NORTH/SOUTH GROWTH STRATEGY. EXPANSION INTO THE UNITED STATES WAS LAUNCHED IN 2001 WITH THE ACQUISITION OF THE EXCLUSIVE SILVERTHORNE FACTORY OUTLET STORES, IDEALLY LOCATED AT THE GATEWAY TO SKI COUNTRY USA.

REVIEW OF OPERATIONS

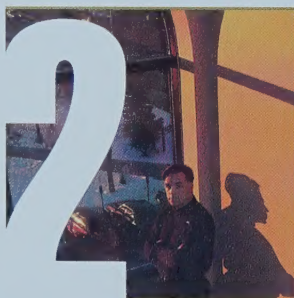
During the latter part of 2001, eight major corporate objectives were established in our strategic business plan. TGS has experienced rapid growth over the past four years, and this plan brings all facets of the company together, providing a roadmap of where we are going and how we will get there. Teams have been put in place to implement the plan and to regularly evaluate these objectives. Our longer term objective at TGS is to grow the company's asset base to one billion dollars.

OUR 8 MAJOR CORPORATE OBJECTIVES



EARNINGS AND CAPITAL STRUCTURE

One of the prerequisites for continued growth is to secure capital. Our finance professionals are exploring opportunities that will facilitate further growth. Despite the adverse impact of a recessed economy, the real estate industry continues to record modest bottom-line growth and favourable performance relative to other sectors, which bodes well for capital financing initiatives.



PEOPLE, PERSONALITIES AND EMPOWERMENT

Leadership, corporate spirit and pride in ownership are the backbone of our success, and TGS continues to recognize the importance of motivating and empowering its employees. Operations are driven and the future is shaped by the expertise and determination of each employee at every level.



CORPORATE MANAGEMENT STRUCTURE

The TGS management structure is two-pronged, with a corporate entity in Canada and another in the United States, further reflecting the entrenched north/south growth strategy. These management teams focus on their respective portfolios.



ASSET GROWTH AND BUILDING PORTFOLIO

The dynamic risk profiles that exist in the real estate markets in Canada and the United States are captured by the north/south geographic growth strategy of TGS. Ultimately, the asset portfolio will be complemented equally by each of the three divisions of its asset base – commercial portfolios located in the western United States, commercial portfolios located in Western Canada and the Three Sisters Mountain Village resort project. Our objective over the next three years is to grow total assets to \$400 million.



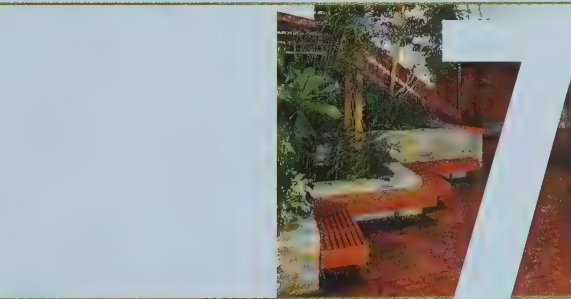
THREE SISTERS MOUNTAIN VILLAGE

Three Sisters Mountain Village, approximately 1,800 acres, located adjacent to the Trans-Canada Highway, less than 10 minutes east of the Banff National Park gates, will be developed following the approved Master Plan. When complete, it will be the largest single development of its kind in Western Canada. This project, which represents 82 percent of the developable land in the Bow Valley corridor, will be built out over the next 11 to 13 years.



CLUB SERVICES AND AMENITIES

Over the next three years, various amenities will be developed at the Three Sisters Mountain Village to enhance the rocky mountain experience and the value of home ownership. The first of such facilities at the site is the Stewart Creek Golf and Country Club, which will offer membership programs for golf, fly-fishing and alpine skiing and create a legacy asset that will provide a recurring income stream for TGS.



CORPORATE RISK MANAGEMENT

TGS has created management committees to ensure that business risks are managed in a prudent and proactive manner. Acquisitions and dispositions, property management, cash management and insurance matters are assessed regularly to minimize risks to the company and protect the interests of shareholders.



CORPORATE DEVELOPMENT

A concerted strategy has been undertaken by the investor relations and marketing teams to develop a program of branding the company image and aligning all communications with the common goal of maximizing shareholder value. New levels of excellence in all forms of communications are constantly being set, while maintaining and in some cases exceeding regulatory requirements and industry standards.

THE MANDATE OF TGS IS TO STREAMLINE OPERATIONS AND CREATE A LARGER INSTITUTIONAL-GRADE PORTFOLIO. WE MOBILIZED THIS STRATEGY IN 2001 BY SELLING TWO SMALLER PROPERTIES AND PURCHASING A CLASS A OFFICE BUILDING IN WESTERN CANADA AND A RETAIL MALL IN THE WESTERN U.S.

MOBILIZE



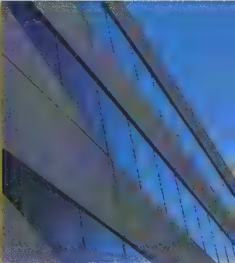
108TH STREET BUILDING, EDMONTON, ALBERTA

THE ACQUISITION OF THE 108TH STREET BUILDING IN EDMONTON INITIATED THE REPOSITIONING OF THE TGS PORTFOLIO TO COMPRISE OF LARGER CLASS A OFFICE BUILDINGS IN LARGER CITIES IN WESTERN CANADA.

Prudent management of our assets, a disciplined approach to acquisitions and strategic dispositions throughout the year have resulted in total rental revenue of \$24 million for the year ended December 31, 2001, an 82 percent increase over the 11 months ended December 31, 2000. The plan to reposition the portfolio is on track with the disposition of two office buildings, both under 100,000 square feet, and the acquisition of two larger properties – a retail mall and one Class A office building.

U.S. Presence

TGS launched its entry into the U.S. real estate market in March of 2001, making its first acquisition, the Silverthorne Factory Stores, in Colorado. This 258,000 square foot fashion retail outlet, with 1,100 parking stalls, is located in the centre of Ski Country USA, just minutes from eight major ski areas, and less than an hour from Denver. It offers a wide selection of name-brand stores such as Tommy Hilfiger, The Gap, Nine West, Eddie Bauer, J.Crew, Jones New York, Nike and Liz Claiborne. TGS owns 60 percent of the asset, and is partnered with Former TCE LLC, of Colorado. Expansion into the U.S. has firmly advanced TGS in its north/south growth strategy, and created a presence for the Company in the U.S. market. The sheer magnitude of the U.S. real estate market will enable TGS to capitalize on available opportunities. Further expansion will be focused on Denver, Colorado; Portland, Oregon; Seattle, Washington; and Las Vegas, Nevada. The U.S. portfolio will be dominated by assets located in Colorado, while the Canadian portfolio is dominated by assets located in Alberta. The western United States presents significant opportunities for asset appreciation, based upon current and projected growth and strong economic fundamentals.



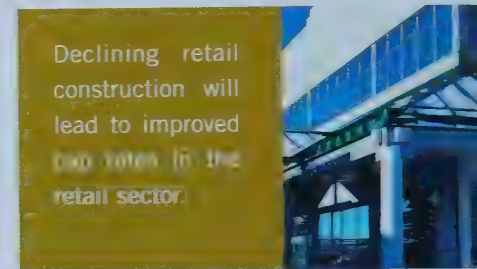
Vacancy rates have increased as a result of downsizing in the technology and telecommunications industries and mergers. An oversupply environment offers opportunistic investors property at attractive prices.

Source: *Emerging Trends in Real Estate 2002*
Text courtesy of the National Association of Real Estate Brokers

Prudent Dispositions, Strategic Acquisitions

Substantial research and internal analysis have provided data that supports our strategy to increase the number of institutional grade properties in the portfolio. TGS sold two Calgary office properties in 2001. These dispositions were consistent with our strategy to sell all buildings that are less than 100,000 square feet. In the second quarter of 2001, TGS acquired the 108th Street Building in Edmonton, Alberta. The 11-storey, 165,000 square foot, Class A office building is located adjacent to the Alberta Legislature. It is 98 percent leased, with more than 88 percent of the building occupied

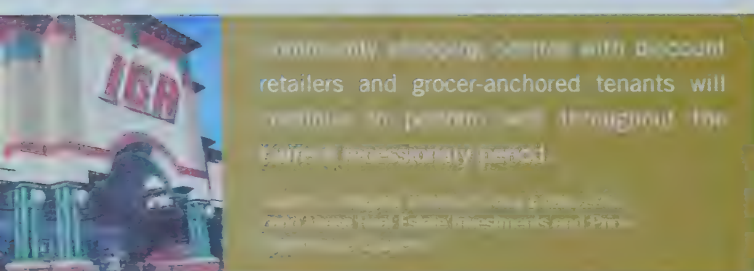
by agencies of the Alberta government. Early in 2002, TGS announced the acquisition of Sterling Place, a 169,000 square foot Class A office building in Edmonton, where Alberta Government Infrastructure is the major tenant. This most recent acquisition positions TGS as one of the largest landlords in Edmonton, with almost one million square feet of property. Both of these acquisitions are ideally sized, structured and leased, consistent with our vision to lift the portfolio to an institutional grade where we can realize value in operating efficiencies and minimize credit risk with quality tenants.



Western Canadian Holdings

The company will further diversify its western Canadian holdings; however, we will remain focused on assets in Alberta due to the growth and stability of that economy. Alberta has maintained Canada's fastest growing economy and will experience business influx into the province creating positive long-term effects for the commercial real estate industry. The Conference Board of Canada has identified Edmonton and Calgary as among the fastest growing economies in the nation. Strong energy investments and continuing diversification reinforce forecasts for continued growth, and economic prospects in Edmonton are predicted to be among the best in Canada. The TGS portfolio with its one million square feet of space in Edmonton, places the company in a favourable position to benefit from the potential that exists in that community.

The pace of growth and stability in British Columbia does not mirror that of Alberta, and although we plan to expand into that province at the opportune time, we have not yet identified an asset that fits our business model. In the past, we have only expanded into markets that we understand and where opportunity for value creation exists. It is critical that each potential acquisition meets our criteria and minimizes risk to shareholders. Expansion in Western Canada will be focused on the lower mainland with a thorough analysis of provincial economics and the local market completed prior to acquiring any building.



TGS is a partner in a unique opportunity located on a parcel of land owned by the University of Saskatchewan in Saskatoon. Preston Crossing is a 600,000 square foot retail outlet development, the first of its kind in that city. Partnered with Harvard Developments Inc. and Rencor Developments Ltd., we will lease and develop retail space at the site in three phases. The site will be anchored by a Canadian Tire store, with the first phase of construction scheduled to commence in the spring of 2002.

Property Management

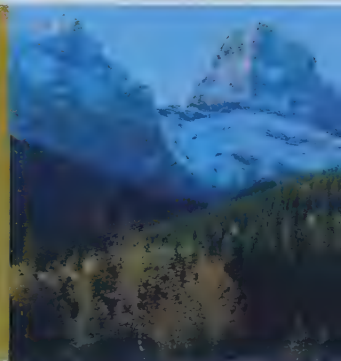
While our growth strategy is well defined and our quality assets provide recurring income, continued success is contingent on adhering to a standard of excellence in the management and care of our buildings. Through the work of TGS Harvard Management Services, we stay close to our tenants and ensure that properties are well maintained. Effective and proactive leasing initiatives are a priority at TGS Harvard, and a tenant-friendly team of professionals solidifies an average occupancy rate in the TGS portfolio of more than 91 percent. TGS Harvard manages a portfolio of 5.8 million square feet, which includes properties owned by TGS, Harvard and third party contracts. It is one of the largest property management companies in Western Canada.

Three Sisters Mountain Village

Three Sisters Mountain Village, near Banff National Park, encapsulates approximately 1,800 acres that are strategically located to capitalize on development restrictions in surrounding areas. The property represents 82 percent of the developable land in a captive marketplace. Successful execution of the approved Master Plan will entail 3,500 residential units, three golf courses and a golf academy, a

Demographer Harry S. Dent indicates that there will be a consistent rise in retirement purchases and, increasingly, North Americans will be seeking smaller communities and resort towns for primary and secondary residences. Smaller communities that provide ease of access to large centres will be the new boom communities in North America.

Source: The McGraw-Hill Companies



resort centre, 650,000 square feet of commercial space and up to six hotels totaling 1,500 rooms. When complete, it will be the largest single development of its kind in Western Canada. This asset was acquired by TGS in fiscal 2000 and has provided outstanding returns to TGS in 2001, confirming previous forecasts that the project offered tremendous upside potential and value to our shareholders.

Revenue from land sales for the year ended December 31, 2001, exceeded \$21 million, largely due to robust land sales at the recently permitted Three Sisters Creek subdivision ("TSC"). This phase of the project is expected to generate total revenues of \$38.2 million. We take pride in the successful launch of TSC, and are pleased to report that it has been very well received. Professional management by United Inc. and Stantec Consulting Ltd. enabled TGS to realize completion of the infrastructure and attract homebuilders to TSC. These established homebuilders from Canmore and Calgary have brought further credibility to the project, and our marketing group is working closely with them to implement a world-class branding initiative for one of the most desirable and attractive living experiences in North America.

Architectural controls at the site are in place to ensure aesthetic value and adherence to a high standard of construction are maintained. TGS has commenced the permitting application process for the next phase of the development, which we hope to launch in the third quarter of 2002. This will include two new golf courses, a resort centre, a business park and residential home sites.

As we approach the next stage of the development, we have encouraged input and feedback from individuals and groups within the community through scheduled public information sessions in Canmore. As well, our onsite environmental staff continues to ensure that all development at Three Sisters follows the guidelines laid out in the Master Plan and complies with, or surpasses, environmental regulations.



Our research supports the forecasts that state there will be a rise in retirement and vacation home purchases located in smaller communities and resort towns – an impact of the aging baby boomers – and Three Sisters is a jewel that will provide majestic living to residents and value to the company and its shareholders.

Stewart Creek Golf Course

Outstanding is the best way to describe our first full golf season. The course officially opened on May 19 to rave reviews and enjoyed the same reputation until it closed for the season on October 7. Stewart Creek surpassed all expectations and revenue goals each and every month. During this banner year, thousands of golfers experienced the course, traveling from overseas, the United States and various locations throughout Canada. The key success factors at Stewart Creek are: the golf product, the condition it is presented in each day and how we deliver the collateral services that are part of a premium golf course experience.

Stewart Creek Golf Club achieved over 24,000 rounds of golf in 2001. While some would say this number represents a perfect year, we say we are going to do more as our seasons progress. The demand for golf product of this calibre is unlimited, and TGS Properties is well positioned to secure dividends now and in the future.

Quail Ridge Resort

Quail Ridge Resort is a master-planned community located within the boundaries of the City of Kelowna, British Columbia. In 2001, TGS sold 31 lots and a bulk parcel of land for approximately \$3.1 million, and nine residential units in the Borgata Lodge for \$900,000. In total, TGS carried forward three lots, 11 Borgata units and 60 acres of raw land into 2002. TGS does not intend to develop this land any further and is in the process of seeking a purchaser to allow the company to exit the project in an orderly fashion.

STEWART CREEK GOLF COURSE IS THE FIRST OF THREE GOLF COURSES AT THREE SISTERS MOUNTAIN VILLAGE. IT IS A KEY COMPONENT TO THE MASTER PLAN, WHICH WILL ENCOMPASS 3,500 RESIDENTIAL DOORS, A RESORT CENTRE, UP TO SIX HOTELS PROVIDING 1,500 ROOMS AND 650,000 SQUARE FEET OF COMMERCIAL SPACE.

FANTASIZE

STEWART CREEK GOLF COURSE, CANMORE, ALBERTA

STEWART CREEK GOLF COURSE, RANKED SECOND BY *GOLF DIGEST* ON ITS LIST OF BEST NEW GOLF COURSES IN CANADA IN 2001, IS ALWAYS TOURNAMENT-READY. KEY TO THE SUCCESS OF THIS EXQUISITE MOUNTAIN COURSE IS THE EXCEPTIONAL GOLF PRODUCT, SUPERIOR PRESENTATION AND PREMIUM COLLATERAL SERVICES.

CORPORATE OVERVIEW

TGS Properties Ltd. (the "Company" or "TGS") is a publicly held real estate company trading on the Toronto Stock Exchange (ticker symbol "TGP"). The Company experienced significant growth in fiscal 2000 with the acquisition of Destination Resorts Inc. and a private company which owned and operated five warehouse and self-storage facilities in Alberta and Saskatchewan. These acquisitions contributed to financial results for the full 12 months of fiscal 2001.

The Company has a solid revenue producing portfolio, in addition to a land development component, which management feels contains significant upside potential. The seasonal revenue and cash flow fluctuations associated with the land development component are stabilized by a strong rental revenue base from the revenue producing portfolio.

In fiscal 2001, the Company continued its strategy of aligning with strong partners. During the year, United Inc., an Alberta-based land development company, in its role as project manager, was successful in attracting several of Alberta's leading homebuilders to TGS's newest development, Three Sisters Creek subdivision ("TSC"). The Company also entered into a co-ownership agreement with Harvard Developments Inc. and Rencor Developments Inc. to develop a 600,000 square foot, three phase retail project situated on University of Saskatchewan lands in Saskatoon, Saskatchewan. These partners bring significant property management and development expertise to this project.

FISCAL 2001 CORPORATE DEVELOPMENTS

The following developments are achievements in the Company's drive to increase shareholder value:

- Closed a \$25.0 million private placement equity financing in our subsidiary Destination Resorts Inc. ("DRI").
- Ranked 18th in *Profit Magazine's* list of Canada's 50 hottest startup public companies.
- Stewart Creek Golf Course was ranked as the 2nd best new golf course in Canada by *Golf Digest*
- Made first U.S. purchase; the acquisition of 60% of Silverthorne Mall in Silverthorne, Colorado, a 257,878 square foot retail fashion outlet mall.
- Purchased 108th Street Building in Edmonton, Alberta, a 165,025 square foot Class A office building with the Alberta Government occupying over 88% of the building.
- Sold two smaller office properties in Calgary, Alberta, for significant gains and cash proceeds; the 61,741 square foot Stuart Olson Building and the 22,773 square foot Demcor Building.
- On June 22, the Company received Tentative Plan Approval for TSC, a development with over \$38.0 million of land inventory.
- Announced the development of a 600,000 square foot retail centre located on 47 acres of land on the University of Saskatchewan campus.
- Repurchased 1,169,200 common shares at an average price of \$1.48 for total consideration of \$1.7 million pursuant to a normal course issuer bid.
- Effected a corporate reorganization to minimize compliance costs and ensure an efficient tax structure exists.
- Secured development financing for TSC.
- Substantial completion of servicing for TSC.

CORPORATE STRATEGY

A four year Strategic Business Plan was developed in late fiscal 2001. Following is a summary of the fiscal 2001 strategy, which has been previously outlined:

Opportunistic Acquisitions

The Company had its first subdivision at Three Sisters Mountain Village come on stream during the year. TSC was a significant factor in the fiscal 2001 financial results contributing \$14.7 million of land sales.

Maximizing Existing Cash Flow

During fiscal 2001 the Company leased 28,929 square feet of previously vacant space and renewed 105,977 square feet at a weighted average net rent of \$9.76 per square foot.

Repositioning of Portfolio

The Company purchased Silverthorne Mall and 108th Street Building and disposed of the Stuart Olson Building and Demcor Building during the year. This represents acquisitions of 422,903 square feet and dispositions of 84,514 square feet, for a net acquisition of 338,389 square feet. If the Company's 60% interest in Silverthorne is factored in, the net fiscal 2001 TGS acquisitions were 235,238 square feet.

Prudent Fiscal Management

The Company continued its debt reduction program at DRI and financed the two revenue producing property acquisitions with long-term conventional mortgage debt. In addition, the Company secured development financing at TSC prior to commencing installation of services.

Intellectual Assets

Our people are the most important assets in the Company. There is a stock option and bonus program in place for employees. The intent is to align employees' interests with those of shareholders by having employees with a vested interest in the Company via stock options and a bonus program connected to financial results.

Corporate Governance

The Board of Directors of TGS are very active in the governance and strategic direction of the Company. Six of the nine members are independent and bring a broad spectrum of talents to the Company's Board. The Company is compliant with TSE guidelines for corporate governance.

2002 STRATEGY

In addition to the previously discussed corporate strategy, the Company has expanded its strategy for 2002 to incorporate additional goals. The Company is committed to grow with a north/south focus and an ultimate composition of the asset base to being 1/3 in western Canadian revenue producing properties, 1/3 in western U.S. revenue producing properties and 1/3 in the Three Sisters Mountain Village ("TSMV") land development. The Company continues to reposition the existing portfolio and has identified certain U.S. cities where potential acquisition opportunities exist.

Capital is required to grow the Company. The management of TGS will review all sources of capital available to the real estate market, taking into consideration dilution to current shareholders and the effect on the current capital structure, with the 2002 goal of raising \$50 million of capital.

The Company will continue planning to ensure there is a consistent supply of inventory to support the land development program.

During 2002, the Company's goal is to obtain Municipal approval for the second phase of TSC and for "Site 1" at TSMV. Site 1 will consist of residential and commercial components, in addition to two golf courses.

MANAGEMENT'S DISCUSSION & ANALYSIS 2001 FINANCIAL RESULTS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto contained in this Annual Report.

Effective December 31, 2000, TGS Properties Ltd. changed its fiscal year end to December 31 from January 31. The following discussion and analysis provides comparisons of the 12 months ended December 31, 2001 ("fiscal 2001") to the 11 months ended December 31, 2000. Effective July 13, 2000, the Company commenced consolidating the financial results of Destination Resorts Inc. ("DRI") as the Company obtained 52.8% ownership interest at that time. Between July 13, 2000 and November 21, 2000 when the Company acquired the remainder of DRI, DRI results were consolidated and a non-controlling interest recorded. From November 22, 2000 to January 15, 2001 when TGS sold 48.1% of its interest in DRI, TGS fully consolidated DRI; no changes in the ownership of DRI have occurred since January 15, 2001, and accordingly, TGS continues to consolidate DRI and record a non-controlling interest.

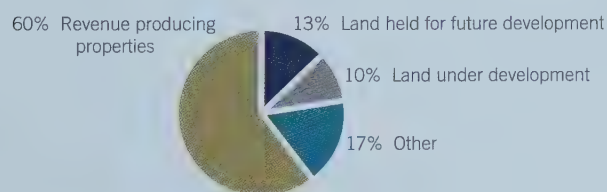
The following table summarizes the Company's accounting for DRI:

YEAR	PERIOD	DAYS	%
2000	February 1 – July 12	163	11.7
	July 13 – November 21	132	52.8
	November 22 – December 31	40	100.0
2001	January 1 – January 14	14	100.0
	January 15 – December 31	351	51.1

Readers are cautioned that, due to the seasonal fluctuations of the land development component of the Company and the stub 2000 year consolidation of DRI, extrapolation of the 11-month 2000 fiscal year may not result in a meaningful comparison.

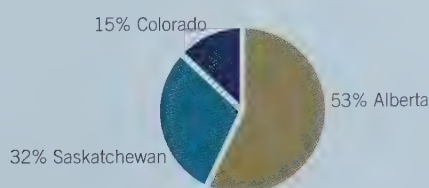
ASSET ANALYSIS – KEY CHANGES IN PORTFOLIO FROM 2000 TO 2001

On a book value basis, revenue producing properties represent 60% of assets and land assets comprise 23% of total assets for fiscal 2001. This compares to 54% and 33% respectively in fiscal 2000.



The geographic diversification of revenue producing properties changed during fiscal 2001 due to the U.S. acquisition and the transactions relating to the repositioning of the portfolio. On a square footage basis the U.S. portfolio represents 15% of the portfolio, resulting in a 6% contraction in Alberta and a 9% contraction in Saskatchewan.

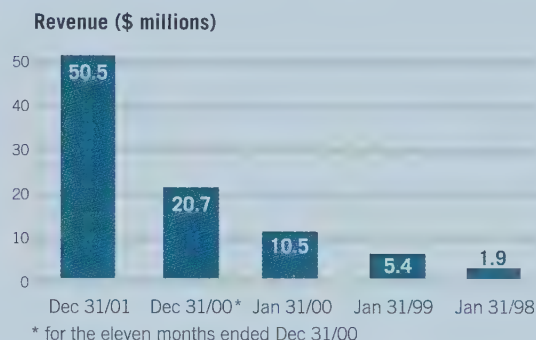
Product Diversification



The U.S. acquisition also changed the distribution by product line during the year. Retail square footage increased by 11% with office decreasing by 7% and warehouse and self-storage decreasing by 4%.

During the year, 28,929 square feet of previously vacant space was leased at a net rental rate of \$8.36 per square foot. Also during fiscal 2001, 135,896 square feet of space expired. With a 78% retention rate, 105,977 square feet was leased at a net rental rate of \$10.14 per square foot. As of December 31, 2001, occupancy in the TGS portfolio was in excess of 91%.

RESULTS OF OPERATIONS



Revenues for fiscal 2001 were \$50.5 million, a 143% increase over \$20.7 million for the 11 months of fiscal 2000. This revenue increase is attributable to significant growth in both the revenue producing property portfolio and land sales.

Rental revenue increased 82% in the year to \$24.0 million from \$13.2 million in fiscal 2000. This net \$10.8 million increase is attributable to having a full 12 months of revenue from the five warehouse and self-storage facilities, revenue relating to the two acquisitions (net of two dispositions), in addition to the lease-up of vacant space and space which was renewed at market rates which exceeded the existing rates.

	(\$ THOUSANDS)
Incremental revenue – 12 months versus 11 months	\$ 1,200
Incremental revenue – industrial/self-storage	733
Increase in existing portfolio	984
Acquisitions – Silverthorne Mall	6,911
– 108th Street Building	1,052
Disposition – Stuart Olson Building	(104)
	\$10,776

Land sales revenue for the year were \$21.5 million, a \$17.5 million increase over the \$4.0 million in fiscal 2000. This large increase is primarily due to sales at TSC, sales of the remaining inventory at the Peaks of Grassi subdivision at TSMV, increased sales at Quail Ridge in Kelowna, British Columbia, and an additional 193 days of consolidating DRI for fiscal 2001.

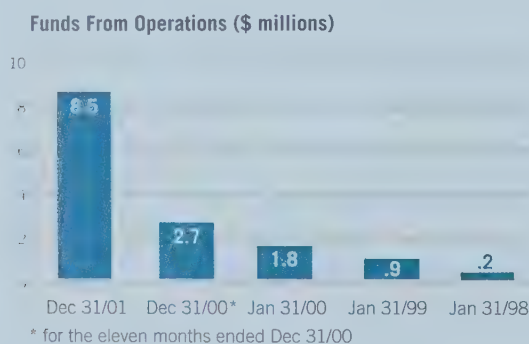
Following is a summary of the fiscal 2001 land sales:

	(\$ THOUSANDS)
Three Sisters Mountain Village	
Three Sisters Creek subdivision	\$14,708
Peaks of Grassi subdivision	2,754
Quail Ridge	3,095
Borgata Lodge fractionals	899
	<u>\$21,456</u>

There is no remaining inventory at the Peaks of Grassi subdivision. At December 31, 2001, there were \$7.0 million of potential sales in TSC to homebuilders with a portion of their deposit in place. This potential revenue relates to 36 lots and one multi-family site which will be booked as revenue during the first and second quarters of 2002 when their total deposits reach the required 15% amount. This will leave 60 single-family lots in inventory, one multi-family site, plus a small commercial and municipal site.

Gross margins for the Peaks of Grassi subdivision were 26% with TSC sales having 31% gross margins. The final Quail Ridge lot and fractional inventory is being sold out in an orderly fashion at 5% gross margins.

Funds From Operations ("FFO")



FFO for fiscal 2001 were \$8.5 million, a \$5.8 million increase over \$2.7 million for the 11 months of fiscal 2000. On a basic per share basis, FFO was \$0.23 per share compared to \$0.11 in the prior year. Guidance to shareholders and the investment community for 2001 was basic FFO per share of \$0.18 to \$0.22.

FFO is generally viewed as a supplemental performance measurement compared to net earnings to assess the operating performance of real estate companies. The Company adopted the new definition of FFO in fiscal 2001 as recommended by the Canadian Institute of Public Real Estate Companies. There is a reclassification of fiscal 2000 FFO to exclude the add-back of the amortization of deferred financing costs of \$419,000 to conform with the current classification.

Operating Costs

Operating costs and property taxes increased \$3.8 million during fiscal 2001. With respect to TGS specific costs, there is a relationship between operating costs, including property taxes, and Canadian revenue producing property portfolio and rental revenue. This relationship of approximately 50% remained constant during fiscal 2001 compared to fiscal 2000. The acquisition of Silverthorne Mall accounted for \$2.2 million of

total consolidated operating costs in fiscal 2001.

With respect to DRI, the staged consolidation of DRI contributed to increased operating costs. Management continues to monitor costs with a view to creating efficiencies which will result in rent reductions for additional rent to our tenants. Building and land property taxes are appealed on a regular basis.

Administration Costs

The increase in administration costs is primarily related to the full consolidation of DRI. All base salaries were kept at the same level as those of fiscal 2000. As TGS grows its asset base, we do not anticipate a similar percentage growth in administration costs.

Interest on Long-Term Debt

Interest costs increased during fiscal 2001 to \$9.4 million, an increase of \$4.1 million over fiscal 2000. There are several factors relating to this increase:

- Two acquisitions during the year.
- The five warehouse and self-storage facilities incurred interest costs for the entire year in 2001.
- The TGS 8.0% subordinated convertible debentures due December 31, 2005, and 8.5% senior secured subordinate redeemable debentures due September 1, 2008, were outstanding for the entire year in 2001.

The following table summarizes the net increase:

	(\$ THOUSANDS)
Increases:	
• 12 months versus 11 months for existing commercial mortgages and debentures	\$ 398
• Silverthorne Mall	2,212
• 108th Street Building	278
• Warehouse and self-storage facilities	190
• TGS 8.5% subordinate redeemable debentures	390
• TGS 8.0% subordinated convertible debentures	285
• Northway Building	54
• Full consolidation of DRI debt	357
Decreases:	
• Stuart Olson Building	(45)
• Demcor Building	(10)
	<u>\$ 4,109</u>

The Company continued to reduce its consolidated effective interest rate. At the year ended December 31, 2001, the rate was 7.71%, a reduction of 0.47% over the previous year's 8.18%. The following is a summary of the consolidated effective interest rate at December 31, 2001:

	%
Revenue producing properties	7.68
Land held for future development	7.50
Land under development	5.20
Debenture financing	8.05
	<u>7.71</u>

Analysis of Net Earnings

Net earnings for fiscal 2001 were \$3.4 million, an increase of \$2.8 million over the 11 months of fiscal 2000. There were

MANAGEMENT'S DISCUSSION & ANALYSIS 2001 FINANCIAL RESULTS

several items which affected net earnings which are not recurring or have a predictable effect on the Company. There was a \$728,000 investment gain relating to the \$25.0 million private placement equity financing in DRI in addition to a \$200,000 provision taken against a revenue producing property in the third quarter of 2001.

During the year there were \$1.7 million of income statement gains recorded on the dispositions of the Stuart Olson Building and Demcor Building. This resulted in net cash proceeds to the Company of \$4.5 million (\$8.1 million gross) which is indicative of the value added during TGS's ownership.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital structure is summarized as follows:

	(\$ THOUSANDS)	
	December 31 2001	December 31 2000
Debt on Properties		
Revenue producing commercial properties	\$89,141	\$50,672
Golf course	4,866	4,965
Other	5,571	12,548
	\$99,578	\$68,185
Debenture Financing		
7.5% senior secured subordinate	\$ 4,301	\$ 4,301
8.0% senior secured subordinate	6,772	6,772
8.5% senior secured subordinate	6,882	6,882
8.0% subordinated convertible redeemable	4,281	5,084
8.0% subordinated convertible	3,998	3,998
	\$26,234	\$27,037
Shareholders' Equity		
Common share capital	\$40,519	\$41,825
Preferred share capital		
Series I	1	18
Series II	4,900	4,900
Retained earnings	3,409	848
	\$48,829	\$47,591

Mortgages on Revenue Producing Properties

The Company continued to finance long-term assets with conventional long-term mortgage debt. During fiscal 2001, two new conventional mortgages were placed on Silverthorne Mall and 108th Street Building at an effective interest rate of 7.54%. The only other activity during the year in addition to regular principal payments was the repayment of mortgages on the two dispositions. Following is a summary of fiscal 2001 net increase:

	(\$ THOUSANDS)
New mortgages on acquisitions	
Silverthorne Mall	\$36,570
108th Street Building	7,500
Mortgages repaid on disposition	
Stuart Olson Building	(2,151)
Demcor Building	(1,261)
Scheduled principal payments	(2,189)
	\$38,469

During the next five years, \$9.8 million, or 11%, of the mortgages on revenue producing properties will mature. Management is currently negotiating refinancing of 48% of this amount and, based on the equity in the portfolio and current interest rate environment, is of the view that there is little refinancing risk.

DRI Debt on Properties

The Company consolidates the DRI debt on properties which is comprised of a mortgage on the Stewart Creek Golf Course, debt on land under development and debt on land held for future development. Both the mortgage on the golf course and debt on land held for future development is fixed rate debt. Debt on land under development is floating rate debt due to its revolving nature and the relative short 18 to 24 month project development cycle. During the year, there was a significant net payoff of debt as summarized below by location:

	(\$ THOUSANDS)
Canmore, Alberta	
Peaks of Grassi subdivision	\$(2,762)
Three Sisters Creek subdivision	1,547
Stewart Creek Golf Course	(99)
Other	(3,036)
Kelowna, British Columbia	
Quail Ridge	(1,645)
Other	(1,081)
	\$(7,076)

Debenture Financing

There was minimal activity during the year with the Company purchasing in the open market \$803,000 of the DRI 8.0% subordinated convertible debentures due June 30, 2002. These debentures were purchased at a discount to par value.

Share Activity

During fiscal 2001, there were 150,000 stock options exercised at a price of \$0.30 per share for proceeds of \$45,000. Also during the year, 867,383 preferred shares, Series I, were converted into 2,168,458 common shares at a rate of one preferred share for 2.5 common shares. There were no changes during the year to the preferred shares, Series II.

Share Buyback

During fiscal 2001, the Company purchased 1,169,200 common shares in the open market pursuant to a normal course issuer bid. These shares were purchased at an average price of \$1.48 per share. Management considers the current trading value of the shares to be at a significant discount to the Company's estimated net asset value, with the buyback representing an effective use of capital. The initial bid commenced January 3, 2001, and expired on January 2, 2002, and provided for the purchase of 1,000,000 shares. On November 14, 2001, the Toronto Stock Exchange accepted an amendment to the initial bid to increase the maximum number of shares which could be purchased prior to January 2, 2002, to 2,228,911. 169,200 of the additional 1,228,911 increase was utilized.

The Company has extended the bid for an additional year. During the period January 3, 2002, to January 2, 2003, the Company may purchase up to 1,854,987 common shares, representing 5% of the current issued and outstanding shares.

RISKS AND UNCERTAINTIES

TGS is a fully integrated commercial real estate and land development company. Both of these business components contain several inherent risks. It is management's responsibility to properly assess these risks and provide adequate measures to minimize the potential risk to the Company. The Company has established standing management committees which meet on a regular basis to assess and proactively manage business risks facing the Company.

These committees review items such as debt profiles, capital management, interest rate exposure, insurance coverage, technological efficiencies and acquisition criteria. In addition, diversification of assets, both geographical and by product type, is planned with the objective of reducing risk exposure to any one product type or region.

Interest Rate Risk

TGS secures financing on assets with two general types of financing. Revenue producing properties are financed with long-term fixed rate conventional mortgage financing. Maturity risk is managed by staggering terms to ensure that maturities occur over an orderly period of time and are not concentrated in one defined period of time.

Land development loan facilities are generally floating rate and are repaid as sales occur. These are funded based on significant presale tests, considerably reducing the interest and business risk.

Property Valuation

The Company reviews its revenue producing property portfolio on a quarterly basis to ensure there is no impairment in value and that the property portfolio is stated at the lower of cost and net recoverable amount in accordance with Canadian generally accepted accounting principles. The industry standard ARGUS valuation program is utilized for purposes of performing this calculation and managing this risk. Reasonable leasing assumptions are inputted and a 10 year cash flow stream is calculated with a residual sale at the end of the 10 year period. The discount rate and reversionary capitalization rate utilized depends on the location, quality and type of property.

Market Risk

The general changes in economic conditions are not within our control. However, management can minimize and control these risks by closely monitoring the economy and adjusting the strategic business plan as required. Diversification to different markets such as the U.S. mitigates some of the region specific downturns. The mix of product between office, retail, warehouse and self-storage also achieves this to some extent.

The land sales risks are assessed by understanding the economic factors affecting Kelowna and Canmore such as population growth, competing product and estimated absorption rates. Business risk is significantly reduced through both internal and lender presale requirements which must be satisfied prior to commencing a new development.

ENVIRONMENT

TGS is committed to fulfilling the terms of federal, provincial and municipal laws and regulations governing its operations in their respective settings. All requirements governing business operations and land use within municipalities are strictly followed.

At the Three Sisters Mountain Village, an extensive study and public review of the site conducted by the Natural Resources Conservation Board (NRCB) and an Environment Impact Assessment (EIA) culminated in a Master Plan document. This document is based on the decision and recommendations of the NRCB Decision Report (1992) and was ratified by the Alberta Provincial Cabinet in 1993. In 1998, the Town of Canmore and Three Sisters Resorts approved a Master Zoning Bylaw for the property, establishing defined development sites and setting parameters for future development.

At Three Sisters Mountain Village, TGS is committed to creating and protecting wildlife movement corridors, preserving the natural beauty of the site, and ensuring the environmental sensitivity of the development. The two full-time environmental specialists on site are in accordance with the requirements of the Master Plan and the TGS initiative to ensure that the natural life and beauty of the site are protected.

FORWARD LOOKING STATEMENTS

The Annual Report to Shareholders of TGS Properties Ltd., including the MD&A, contains forward looking statements relating to the business and financial outlook of the Company's current expectations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve certain risks, uncertainties, estimates and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward looking statements. Undue reliance should not be placed on any such forward looking statements. Any forward looking statement is made only as of the date on which such statement is made, and TGS disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise. A number of important factors including but not limited to: general economic conditions; changes in economic conditions affecting industries in which our principal tenants compete; the timely lease or re-lease of space at current or anticipated rents; achievement of economies of scale over time; demand for tenant services; changes in interest rates, operating costs, environmental laws and regulations; and seasonality could cause actual results to differ materially from those expressed in the forward looking statements. These factors are set out in the risk factors section of the TGS Annual Report.

OUTLOOK

The Company is viewing 2002 and beyond with optimism. The repositioning of the revenue producing property portfolio will continue with a move toward larger properties with an enhanced covenant associated with the cash flow. The success experienced in fiscal 2001 at TSMV is expected to continue with future land development. TGS and its employees remain committed to growing the Company with a view to enhancing shareholder value.

MANAGEMENT'S RESPONSIBILITY

The Corporation's consolidated financial statements and information included in this Annual Report have been prepared by the management of the Corporation and, in management's opinion, have been properly prepared within the framework of generally accepted accounting principles. The consolidated financial statements reflect management's reasonable estimates and judgments based on information currently available. The Corporation maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance, on a reasonable and cost effective basis, that financial information is reliable to form the proper basis for preparation of the consolidated financial statements.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control, the responsibility of which is primarily carried out through its Audit Committee.

Deloitte & Touche LLP is the independent auditor appointed by the shareholders to have the responsibility for auditing the consolidated financial statements and expressing an opinion thereon.



Blair E. Richardson
Chief Executive Officer



Lloyd A. Wiggins
Executive Vice President & Chief Financial Officer

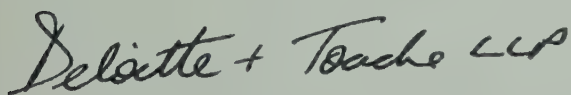
AUDITORS' REPORT

To the Shareholders of
TGS Properties Ltd.

We have audited the consolidated balance sheets of TGS Properties Ltd. as at December 31, 2001 and 2000 and the consolidated statements of earnings and retained earnings and of cash flows for the year and eleven months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and cash flows for the year and eleven months then ended in accordance with the Canadian generally accepted accounting principles.



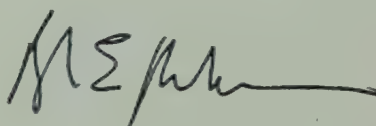
DELOITTE & TOUCHE LLP

Chartered Accountants
Calgary, Alberta
February 25, 2002

CONSOLIDATED BALANCE SHEETS (In thousands of dollars)

	December 31, 2001	December 31, 2000
Assets		
Revenue producing properties (Note 3)	\$134,853	\$ 83,738
Land held for future development (Note 4)	28,667	43,645
Land under development (Note 5)	21,918	6,842
Cash and term deposits	8,236	4,106
Accounts receivable (Note 6)	18,469	5,660
Other assets (Note 7)	11,133	10,199
	\$223,276	\$154,190
Liabilities		
Debt on properties (Note 8)	\$99,578	\$68,185
Debenture financing (Note 8)	26,234	27,037
Accounts payable and other liabilities	16,546	10,404
Future income tax liabilities (Note 9)	2,185	973
	144,543	106,599
Non-controlling interest (Notes 3, 15)	29,904	-
Shareholders' Equity		
Share capital (Note 10)		
Preferred		
Series I	1	18
Series II	4,900	4,900
Common	40,519	41,825
Retained earnings	3,409	848
	48,829	47,591
	\$223,276	\$154,190

Approved by the Board:

Donald W. Black
DirectorBlair E. Richardson
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (In thousands of dollars, except per share amounts)

	For the year ended December 31, 2001	For the eleven months ended December 31, 2000
Revenue		
Rental	\$23,977	\$13,201
Golf course revenue	3,672	1,702
Land sales	21,456	3,952
Property management fees	256	462
Other	1,149	1,427
	50,510	20,744
Expenses		
Operating	8,025	5,131
Property taxes	2,549	1,605
Cost of sales	15,899	2,956
Administration	5,551	2,746
Foreign exchange	193	—
Interest on long-term debt	9,403	5,294
	41,620	17,732
Earnings Before Taxes and the following items	8,890	3,012
Amortization	(3,566)	(1,720)
Investment gain (Note 13)	728	—
Gain on disposal of revenue producing properties (Note 3)	1,711	—
Provision for diminution in property value (Note 3)	(200)	—
Non-controlling Interest (Notes 3, 15)	(2,620)	(195)
Earnings Before Taxes	4,943	1,097
Taxes		
Large corporations tax	359	326
Future income tax (Note 9)	1,198	153
	1,557	479
Net Earnings	3,386	618
Retained Earnings, Beginning of Year	848	500
Premium on share repurchases	(360)	—
Foreign currency translation (Note 1)	(171)	—
Dividends	(294)	(270)
Retained Earnings, End of Year	\$ 3,409	\$ 848
Earnings Per Share (Note 11)		
Basic	\$ 0.09	\$ 0.02
Diluted	\$ 0.09	\$ 0.01

CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands of dollars, except per share amounts)

	For the year ended December 31, 2001	For the eleven months ended December 31, 2000
Cash Flow from (used in) Operating Activities		
Net earnings	\$ 3,386	\$ 618
Non-controlling interest (Notes 3, 15)	2,620	195
Investment gain (Note 13)	(728)	—
Amortization	3,566	1,720
Future income tax (Note 9)	1,198	153
Provision for diminution in property value (Note 3)	200	—
Gain on disposal of revenue producing properties (Note 3)	(1,711)	—
Funds from Operations	8,531	2,686
Changes in non-cash working capital		
Land under development	(8,695)	—
Costs recovered through land, housing and fractional ownership sales	14,714	2,444
Changes in non-cash operating activities	(10,943)	(2,414)
Cash Flows from Operating Activities	3,607	2,716
Cash Flows from (used in) Financing Activities		
Proceeds from debentures and long-term debt	46,575	11,401
Repayment of long-term debt	(15,985)	(11,931)
Issuance of common shares	45	9,412
Repurchase of common shares	(1,728)	—
Issuance of non-controlling interests in subsidiaries	28,869	—
Dividends	(294)	(270)
Cash Flows from Financing Activities	57,482	8,612
Cash Flows from (used in) Investing Activities		
Revenue producing properties	(58,053)	(4,533)
Proceeds on sale of revenue producing properties	8,100	—
Cash acquired on acquisition of DRI	—	260
Land held for future development	(3,193)	(2,519)
Acquisition of PAC Commercial	—	(827)
Other assets	(3,813)	(2,756)
Cash Flows used in Investing Activities	(56,959)	(10,375)
Net increase in Cash	4,130	953
Cash and Term Deposits, Beginning of Year	4,106	3,153
Cash and Term Deposits, End of Year	\$ 8,236	\$4,106
Cash Interest Paid	\$10,456	\$4,758
Cash Taxes Paid	\$ 693	\$ 186
Funds from Operations Per Share (Note 11)		
Basic	\$ 0.23	\$ 0.11
Diluted	\$ 0.22	\$ 0.09

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2001 and eleven months ended December 31, 2000
(Tabular amounts in thousands of dollars, except per share amounts)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants ("CICA") and the recommendations of the Canadian Institute of Public Real Estate Companies ("CIPREC").

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and of all subsidiaries of the Corporation where more than 50% of the voting shares are owned. The two primary subsidiaries of the Corporation are Destination Resorts Inc. and TGS Holdings U.S., Inc. The consolidated financial statements also include the Corporation's proportionate interest in the assets, liabilities, revenues, expenses and cash flows of joint venture operations. All material intercompany transactions have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant components of the financial statements subject to uncertainty are cost of sales and allocation of costs to land under development and land held for future development.

Cost of sales comprises land costs, development costs, an allocation of capitalized administration, interest and development costs and an estimate of costs to complete. Costs are charged to the various projects and income, using the net yield method, as defined by CIPREC. Any cost of sales variance in subsequent years is accounted for prospectively over future sales for continuing projects or charged to current year for projects completed in prior years.

Revenue Producing Properties

Revenue producing properties that have been completed are recorded at the lower of cost, net of accumulated amortization, and net recoverable amount. Revenue producing properties considered for disposition are recorded at the lower of cost and net realizable value.

Amortization of revenue producing properties is determined using the sinking fund method under which an increasing amount, consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, is charged to income to fully amortize the buildings and improvements over their estimated life of 40 years. Amortization commences or ceases in the month of acquisition or disposal. Golf course leasehold improvements are amortized over 20 years on a straight-line basis. Clubhouse buildings and structures are amortized on a 20% declining balance basis.

Land Held for Future Development

Land held for future development is recorded at the lower of cost and net recoverable amount. Land held for future development consists of property not currently under development and includes land costs and an allocation of capitalized interest, administrative and development costs. When land held for future development is transferred to land under development, it is transferred using the net yield method, as defined by CIPREC.

Land Under Development

Land under development is recorded at the lower of cost and net realizable value and is land on which significant development activity is

1. Significant Accounting Policies (continued)

taking place. This encompasses costs related to the specific projects, including an allocation of land, capitalized interest, administrative and development costs.

Other Assets

Other assets are comprised of tenant allowances, lease commissions, deferred financing costs, office and other equipment, prepaid expenses and deposits. These items are amortized on the following basis:

- Tenant allowances and lease commissions – over the term of their respective leases.
- Deferred financing costs – over the term of the related financing.
- Office and other equipment – over the expected useful life of the equipment using the declining balance and straight-line method at rates ranging from 20% – 100%.

Recognition of Revenue

Revenue from the sale of land is recognized upon receipt of a cash payment of not less than 15% of the sale price when all significant conditions of the sale have been met and the collection of the balance of the sale proceeds is reasonably assured.

Per Share Calculations

Effective January 1, 2001, the Corporation retroactively adopted the new CICA Handbook Section 3500. Under the new method for the calculation and disclosure of fully diluted per share amounts, the "treasury stock" method is utilized, replacing the previous "imputed earnings" method. Under this new standard, the dilutive effect of outstanding stock options is computed by assuming the proceeds obtained from potential exercise of the stock options are used to purchase common shares of the Corporation at the average market price during the period. The incremental common shares, being the difference between the number of common shares assumed issued upon exercise of the stock options and the number of common shares assumed purchased, form part of the denominator for computation of fully diluted per share calculations. Stock options are only dilutive where the average market price of the common shares during the period is greater than the exercise price of stock options. The transition provisions relating to the adoption of the new standard requires all prior period per share information to be restated to conform with the new standard. No material variation arises from the use of the treasury stock method relative to previously reported balances.

Financial Instruments

The Corporation's financial instruments include cash and term deposits, accounts receivable, accounts payable and accrued liabilities, debt on properties and debenture financing. The fair market value of these instruments approximates carrying value except where separately disclosed.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments and from the possibility that purchasers of land may not fulfill final payment obligations on land sales. The Corporation mitigates this risk of credit loss through the diversification of its existing portfolio, limiting its exposure to any one tenant, through obtaining a minimum 15% deposit on land sales, and conducting thorough credit assessments on all new tenants and land purchasers. In addition, where legislation allows, the Corporation obtains a security deposit to assist in potential recovery.

Income Taxes

Effective February 1, 2000, the Corporation adopted the liability method of accounting for income taxes, as recommended by the CICA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2001 and eleven months ended December 31, 2000
(Tabular amounts in thousands of dollars, except per share amounts)

1. Significant Accounting Policies (continued)

Handbook Section 3465. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their tax basis. In addition, future benefits of income tax assets including unused tax losses are recognized to the extent that it is more likely than not that these losses will be utilized. Future income tax assets and liabilities are measured under this method by using enacted tax rates that are expected to apply when such tax assets or liabilities are either settled or realized. The Corporation's previously recorded deferred income tax credit balance approximated the future income tax liability at February 1, 2000, resulting in no transitional adjustment being required.

Foreign Currency Translation

The Corporation's operations in the United States are of a self-sustaining nature and are accounted for and translated into Canadian dollars using the current rate method. All assets and liabilities are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated using the average exchange rate for the period. Foreign exchange gains or losses arising from the translation of the investment are recorded as a separate component of shareholders' equity until realized.

Stock-Based Compensation Plans

The Corporation has stock option plans as described in Note 10. There is no compensation expense recognized when stock options are issued. Consideration received by the Corporation on the exercise of stock options is credited to share capital. The excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

Change in Year End

The Corporation changed its year end from January 31 to December 31, effective December 31, 2000. Readers are cautioned that results for the eleven months ended December 31, 2000, may not be representative of full year results due to seasonality and other factors.

2. ACQUISITIONS

a) Acquisition of Destination Resorts Inc. ("DRI")

TGS Properties Ltd. (the "Corporation") had an 11.7% portfolio investment in DRI as at January 31, 2000. During the eleven month period ended December 31, 2000, the Corporation acquired the remaining 88.3% of DRI in a two-step transaction.

Effective July 13, 2000, the Corporation acquired 41.1% of DRI pursuant to an exempt take-over bid, increasing the Corporation's interest to 52.8%. Accordingly, the Corporation commenced accounting for DRI as a consolidated subsidiary with a non-controlling interest. The Corporation issued 5,861,170 common shares from treasury with a value of \$12,132,000 to effect this acquisition.

On September 18, 2000, the Corporation filed Offers to Purchase all the remaining outstanding common shares and all of the 8% subordinated convertible redeemable debentures of DRI (the "DRI Debentures"). Effective November 21, 2000, the Corporation acquired the remaining 47.2% of DRI and \$5,330,000 face value of the DRI Debentures. This transaction resulted in DRI becoming a wholly owned subsidiary of the Corporation. The Corporation issued 6,735,698 common shares from treasury with a value of \$11,585,000 to effect the acquisition of the DRI common shares and issued \$3,997,500 8% subordinated, convertible debentures of the Corporation to acquire the DRI Debentures.

The total purchase price of \$27,000,000 is comprised of the initial investment of \$2,757,000, the issuance of 12,596,868 common shares of the Corporation at an average price of \$1.88 and

2. Acquisitions (continued)

approximately \$475,000 of third party costs related directly to the acquisition of DRI common shares.

The following table outlines the allocation of the purchase price to the net assets and liabilities of DRI acquired:

Cash acquired	260
Net working capital	(4,995)
Other assets	3,881
Long-term debt assumed	(31,933)
Capital assets	59,787
	<u>27,000</u>

b) Acquisition of PAC Personal and Commercial Storage Inc. ("PAC")

Effective August 1, 2000, the Corporation acquired a 100% interest in PAC, a company controlled by a director and significant shareholder of the Corporation.

The total purchase price of \$2,273,683 is comprised of the issuance of 723,240 common shares of the Corporation from treasury with a value of \$1,446,480 and cash of \$827,203.

The following table outlines the allocation of the purchase price to the net assets and liabilities of PAC acquired:

Cash acquired	159
Net working capital	(304)
Future income tax liability	(378)
Other assets	143
Long term debt assumed	(4,945)
Capital assets	7,599
	<u>2,274</u>

3. REVENUE PRODUCING PROPERTIES

	As at December 31, 2001	As at December 31, 2000
Building	106,246	58,719
Land	18,766	14,573
Accumulated amortization	(1,841)	(1,430)
	<u>123,171</u>	<u>71,862</u>
Golf courses under construction	741	339
Golf course, completed	11,891	11,887
Accumulated amortization	(950)	(350)
	<u>11,682</u>	<u>11,876</u>
	<u>134,853</u>	<u>83,738</u>

During the year ended December 31, 2001, the Corporation acquired a 60% interest in Silverthorne Factory Outlet, a 257,878 square foot factory outlet located 65 miles west of Denver, Colorado. The Corporation is accounting for this acquisition as a consolidated subsidiary with a non-controlling interest. The major asset acquired was a revenue producing property for \$45,615,000. This was partially financed by a mortgage on the property in the amount of \$36,570,000. The non-controlling interest in this property was acquired by an unrelated party for cash consideration of \$3,869,000.

During the year ended December 31, 2001, the Corporation purchased a property in Edmonton, Alberta, for \$10,500,000 which was partially financed by the assumption of a mortgage in the amount of \$7,500,000. During the year ended December 31, 2001, the Corporation sold two properties for total proceeds of \$8,100,000 with proceeds used to retire the outstanding mortgage balances in the amount of \$3,412,000. The corporation recorded a gain on disposal of these revenue producing properties in the amount of \$1,711,000 (before future income taxes of \$334,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2001 and eleven months ended December 31, 2000
(Tabular amounts in thousands of dollars, except per share amounts)

3. Revenue Producing Properties (continued)

Also during the year ended December 31, 2001, a \$200,000 provision for diminution in property value was recorded on a revenue producing property.

4. LAND HELD FOR FUTURE DEVELOPMENT

	As at December 31, 2001	As at December 31, 2000
Balance, beginning of year	43,645	—
Purchase price on acquisition		41,641
Add:		
Administrative costs capitalized	938	506
Interest capitalized	361	527
Development costs	1,894	971
Transferred to land under development	(17,524)	—
Costs relieved to cost of sales	(647)	—
	28,667	43,645

5. LAND UNDER DEVELOPMENT

	As at December 31, 2001	As at December 31, 2000
Land under development		
Balance, beginning of year	4,032	—
Purchase price on acquisition	—	5,332
Add:		
Administration costs capitalized	112	3
Interest capitalized	89	316
Development costs	8,154	985
Estimated cost to complete	2,923	141
Costs transferred from fractional ownership projects	975	—
Costs transferred from land held for future development	17,524	—
Costs relieved to cost of sales	(13,146)	(2,745)
	20,663	4,032
Fractional ownership projects		
Balance, beginning of year	2,810	—
Purchase price on acquisition	—	3,863
Add:		
Administration costs capitalized	9	—
Development costs	26	2
Costs transferred to land under development	(975)	—
Costs relieved to cost of sales	(921)	(1,055)
	949	2,810
Commercial land under development	306	—
	21,918	6,842

6. ACCOUNTS RECEIVABLE

The Corporation has accounts receivable as follows:

	As at December 31, 2001	As at December 31, 2000
Land sale agreements	16,648	3,293
Rental receivables	1,413	1,245
Other	408	1,122
	18,469	5,660

The receivables are all due within the next two years. The land receivables are secured by the underlying real estate assets. The terms on the land sale agreements for sale generally include an interest free period with interest charged thereafter.

7. OTHER ASSETS

	As at December 31, 2001	As at December 31, 2000
Unamortized portion of:		
Tenant allowances	3,140	2,921
Lease commissions	1,123	725
Deferred financing costs	2,046	2,073
Equipment	2,545	2,906
Other	2,279	1,574
	11,133	10,199

8. DEBT ON PROPERTIES AND DEBENTURE FINANCING

The Corporation's debt on properties and debenture financing is as follows:

	As at December 31, 2001	As at December 31, 2000
Debt on Properties		
Mortgages on commercial properties (i)	89,141	50,672
Land under development (ii)	1,966	3,288
Fractional ownership projects (iii)	—	975
Golf course (iv)	4,866	4,965
Land held for future development (v)	3,605	8,285
	99,578	68,185

	As at December 31, 2001	As at December 31, 2000
Debenture Financing		
7.5% senior secured subordinate redeemable debentures due February 1, 2004 (vi)	4,301	4,301
8% senior secured subordinate redeemable debentures due May 1, 2006 (vii)	6,772	6,772
8.5% senior secured subordinate redeemable debentures due September 1, 2008 (viii)	6,882	6,882
8% subordinated convertible redeemable debentures due June 30, 2002 (ix)	4,281	5,084
8% subordinate convertible debentures due December 31, 2005 (x)	3,998	3,998
	26,234	27,037

i) Mortgages on commercial properties bear interest at rates ranging from 6.00% to 8.25% (December 31, 2000 – 6.84% to 8.38%) and are payable in monthly installments of blended principal and interest totaling \$793,800. Mortgage maturities range from February, 2002, through to January 2020, and are secured by specified revenue producing properties with a net book value at December 31, 2001, of \$122,983,000 (December 31, 2000, of \$71,474,000). The fair values of the mortgages at December 31, 2001, are estimated to be \$88,922,000 (December 31, 2000 – \$50,672,000).

ii) Land under development loans bear interest at rates ranging from Prime plus 1% to Prime plus 1.25%. The fair values of these loans at December 31, 2001 and 2000 are considered to approximate carrying value.

iii) At December 31, 2000, fractional ownership project loans bear

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2001 and eleven months ended December 31, 2000
(Tabular amounts in thousands of dollars, except per share amounts)

8. Debt on Properties and Debenture Financing (continued)

interest at Prime plus 1.5%. The fair value of these loans at December 31, 2000, is considered to approximate carrying value.

iv) The golf course mortgage bears interest at 9.56% per annum and is secured by a first mortgage charge of \$5,000,000 over golf course land and buildings, a first mortgage charge of the leasehold interest, a specific assignment of a land lease, a general security agreement providing a fixed and floating charge over the assets of a subsidiary of DRI and a corporate guarantee of DRI in the amount of \$1,800,000. The fair value of the mortgage at December 31, 2001, is estimated to be \$6,711,000 (December 31, 2000 – \$4,965,000).

v) The land held for future development loan bears interest at a rate of 7.5% (December 31, 2000 – 7.5% to Prime plus 4.5%) and is denominated in U.S. dollars. The fair values of these loans at December 31, 2001 and 2000 are considered to approximate carrying value.

vi) The 7.5% senior secured subordinate redeemable debentures are redeemable at the Corporation's option, due February 1, 2004, and were issued under an indenture and secured by second mortgages on specified revenue producing properties with a net book value at December 31, 2001, of \$28,161,202 (December 31, 2000 – \$22,924,971). Interest only is payable semi-annually on August 1 and February 1. The fair value of the debentures are estimated to approximate carrying value at December 31, 2001 and 2000.

vii) The 8% senior secured subordinate redeemable debentures are redeemable at the Corporation's option, due May 1, 2006, and were issued under an indenture and secured by second mortgages on specified revenue producing properties with a net book value at December 31, 2001, of \$30,359,832 (December 31, 2000 – \$27,734,849). Interest only is payable semi-annually on May 1 and November 1. The fair value of the debentures are estimated to approximate carrying value at December 31, 2001 and 2000.

viii) The 8.5% senior secured subordinate redeemable debentures are redeemable at the Corporation's option, due September 1, 2008, and were issued under an indenture and secured by second mortgages on specified revenue producing properties with a net book value at December 31, 2001, of \$16,932,881 (December 31, 2000 – \$16,805,925). Interest only is payable semi-annually on March 1 and September 1. The fair value of the debentures are estimated to approximate carrying value at December 31, 2001 and 2000.

ix) The 8% subordinated convertible redeemable debentures bear interest at 8% per annum, with interest payable semi-annually on June 30 and December 31 and are due June 30, 2002. The debentures are guaranteed by Three Sisters Resort Inc., a wholly owned subsidiary of DRI. Each \$1,000 principal amount debenture is convertible at the holder's option into 149 common shares at any time on or before June 30, 2002. At December 31, 2001 and 2000, the fair value of the debentures is considered to approximate carrying value. The Corporation increased its holdings from \$5,330,000 face value at December 31, 2000, to \$6,155,000 face value at December 31, 2001, of the Destination Resorts Inc. 8% subordinated convertible redeemable debentures due June 30, 2002, representing 59.1% of the \$10,414,000 outstanding debentures.

x) The 8% subordinated convertible debentures bear interest at 8% per annum, with interest payable semi-annually on June 30 and December 31 and are due December 31, 2005. Each \$1,000 principal amount debenture is convertible at the holder's option into 400 common shares at any time before December 31, 2005. There is an automatic conversion if the weighted average trading price of TGS

8. Debt on Properties and Debenture Financing (continued)

common shares exceeds \$2.50 for any consecutive 30 trading days. At December 31, 2001 and 2000, the fair value of the debentures is considered to approximate carrying value.

The estimated fair values of debt on properties and debenture financing are calculated using current rates of similar debt instruments. The Corporation has made assumptions regarding current market interest rates from a range of comparable rates, taking into consideration such factors as term and risk.

Principal repayments of debt on properties and debenture financing are due as follows:

	Debt on Properties	Debenture Financing	Total
2002	10,773	4,281	15,054
2003	7,575	—	7,575
2004	5,157	4,301	9,458
2005	7,543	3,998	11,541
2006	3,242	6,772	10,014
Thereafter	65,288	6,882	72,170
	99,578	26,234	125,812

9. FUTURE INCOME TAXES

The Corporation has tax losses of approximately \$24 million available to reduce future taxable income. The benefit of \$14.5 million of tax losses has been accounted for in computing future income taxes. The remainder of the tax losses have not been recorded as a tax asset since the realization of this asset is not determined to be more likely than not. The majority of the losses begin to expire in 2005 and 2006. The adjustment for the change in effective tax rate reflects the benefit from the reduction of the currently substantially enacted Federal rate resulting in a combined Federal and Provincial rate reducing to 39%.

	For the year ended December 31, 2001	For the eleven months ended December 31, 2000
Tax expense based on		
expected rate of 44%	2,175	489
Non-taxable portion of capital gain	(476)	—
Adjustment for change in		
effective tax rate	(247)	—
Utilization of loss carry forwards		
not recorded as tax assets	(254)	(336)
Future income tax expense	1,198	153

The future income tax liability is calculated as follows:

	As at December 31, 2001	As at December 31, 2000
Tax assets relating to operating losses	5,668	4,935
Tax liabilities relating to differences		
in tax and book basis	(7,853)	(5,908)
Future income tax liability	(2,185)	(973)

10. SHARE CAPITAL

Authorized:

Unlimited number of common shares, 4,033,333 preferred shares, Series I, non-voting, convertible into common shares at the rate of 1 preferred share for 2.5 common shares, 4,900,000 preferred shares, Series II, non-voting, hold a 6% cumulative dividend entitlement and are convertible into common shares at the rate of 1 preferred share for 0.5 common shares.

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For the year ended December 31, 2001 and eleven months ended December 31, 2000
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10. Share Capital (continued)

Issued including shares under obligation to issue:

Common Shares	Number of Shares	Amount
Balance January 31, 2000	15,116,027	6,815
June 8, 2000, exercise of options (i)	50,000	15
June 13, 2000, shares issued pursuant to prospectus (ii)	3,750,000	7,500
July 7, 2000, shares issued pursuant to prospectus (ii)	885,000	1,770
July 13, 2000, shares issued in exchange for DRI shares (iii)	5,861,170	12,132
Share issue costs, net of future income taxes of \$416,931	—	(509)
August 1, 2000, shares issued in exchange for PAC shares (iv)	723,240	1,447
August 2, 2000, shares issued pursuant to prospectus (ii)	526,500	1,053
Conversion of preferred shares, Series I (v)	2,168,458	17
November 21, 2000, shares issued in exchange for DRI shares (vi)	6,288,804	10,817
November 21, 2000, shares issued in exchange for DRI shares (vii)	446,869	768
July 13 and November 22, 2000, shares issued to round up partial shares	25	—
Balance December 31, 2000	35,816,093	41,825
January 18, 2001, exercise of options (i)	25,000	8
January 22, 2001, exercise of options (i)	100,000	30
August 8, 2001, exercise of options (i)	25,000	8
Conversion of preferred shares, Series I (v)	2,168,458	17
Shares purchased pursuant to normal course issuer bid (viii)	(1,169,200)	(1,369)
Balance December 31, 2001	36,965,351	40,519

	Number of Shares	Amount
Preferred Shares		
Series I:		
Balance at January 31, 2000	1,790,950	35
Conversion to common shares (v)	(867,383)	(17)
Balance at December 31, 2000	923,567	18
Conversion to common shares (v)	(867,383)	(17)
Balance at December 31, 2001	56,184	1

Series II:

Balance December 31, 2001 and 2000 (ix)	4,900,000	4,900
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i) On June 8, 2000, stock options for 50,000 common shares were exercised at a price of \$0.30 per share, resulting in gross proceeds of \$15,000. On January 18, 2001, stock options for 25,000 common shares were exercised at a price of \$0.30 per share, resulting in gross proceeds of \$7,500. On January 22, 2001, stock options for 100,000 common shares were exercised at a price of \$0.30 per share, resulting in gross proceeds of \$30,000. On August 8, 2001, stock options for 25,000 common shares were exercised at a price of \$0.30 per share, resulting in gross proceeds of \$7,500.

ii) On June 13, 2000, July 7, 2000, and August 2, 2000, the Corporation issued 3,750,000, 885,000 and 526,500 common shares, respectively, pursuant to a prospectus filed on May 26, 2000, for cash consideration of \$10,323,000.

10. Share Capital (continued)

iii) On July 13, 2000, the Corporation became bound by unconditional obligations to issue 5,861,170 shares in exchange for 10,193,339 common shares of DRI, pursuant to an exempt take-over bid.

iv) On August 1, 2000, the Corporation became bound by unconditional obligations to issue 723,240 shares in exchange for the purchase of PAC.

v) On November 14, 2000, the holder of preferred shares, Series I, converted 867,383 shares at the stated conversion price of 2.5 common shares for each preferred share, resulting in the issuance of 2,168,458 common shares. On October 4, 2001, the holder of preferred shares, Series I, converted 867,383 shares at the stated conversion price of 2.5 common shares for each preferred share, resulting in the issuance of 2,168,458 common shares.

vi) On November 21, 2000, the Corporation issued 6,288,804 common shares in exchange for 10,937,052 common shares of DRI pursuant to offers to purchase, filed September 18, 2000.

vii) On November 21, 2000, the Corporation issued 446,869 common shares in exchange for 777,163 common shares of DRI pursuant to the compulsory acquisition provisions of the Business Corporations Act (Alberta).

viii) On December 29, 2000, the Corporation announced that it would be commencing with a normal course issuer bid on January 3, 2001, to purchase a maximum of 1,000,000 common shares. On November 14, 2001, the normal course issuer bid was revised to allow a maximum purchase of 2,228,911 common shares. During the year the Corporation acquired 1,169,200 common shares at a cost of \$1,729,000. The excess of the cost over book value of the common shares acquired of \$360,000 has been charged to retained earnings. The bid terminates on January 2, 2002. On December 31, 2001, the Corporation announced that it would be commencing with a normal course issuer bid on January 3, 2002, to purchase a maximum of 1,854,987 common shares. The bid terminates on January 2, 2003.

ix) Effective February 1, 2000, the preferred shares, Series II, were amended to increase the cumulative dividend entitlement from 4% to 6% and to change the conversion rate from one preferred share for 2.5 common shares to one preferred share for 0.5 common shares. Further, the terms were amended to permit the holder to redeem \$980,000 of the face amount of the security per annum, commencing April 1, 2003, and every year thereafter to retire the entire amount in five years from that date unless previously converted. The redemption right is non-cumulative and the Corporation has the option to honour a request for redemption by cash or common shares. After April 1, 2008, the Corporation may redeem up to \$4.9 million of the preferred shares, Series II, at anytime, in whole or in part.

Shares Held in Escrow

There are currently 777,043 common shares (3,644,733 at December 31, 2000), nil preferred shares, Series I, (923,567 at December 31, 2000), and nil preferred shares, Series II, (4,900,000 at December 31, 2000) held in escrow pursuant to three remaining escrow agreements. All of the remaining agreements relating to the shares issued in 2000 pursuant to the acquisition of DRI provide for time release based on the first, second and third anniversaries of specified dates as follows:

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10. Share Capital (continued)

Common Shares	Number of Shares
Escrow Agreement Date:	
September 29, 2000	311,567
October 29, 2000	289,416
November 22, 2000	564,582
Balance in escrow, December 31, 2000	1,165,565
Released during year ended December 31, 2001	
Escrow Agreement Date:	
September 29, 2000	(103,855)
October 29, 2000	(96,472)
November 22, 2000	(188,201)
Balance in escrow, December 31, 2001	777,037

Following is a summary of the escrow agreements which had all remaining shares released during 2001:

February 23, 1998 Agreement

Common Shares	Number of Shares
Initial shares escrowed	1,333,333
Released during year ended January 31, 2000	(444,444)
Balance in escrow, January 31, 2000	888,889
Released during eleven months ended December 31, 2000	(444,444)
Balance in escrow, December 31, 2000	444,445
Released during year ended December 31, 2001	(444,445)
Balance in escrow, December 31, 2001	-

June 15, 1998 Agreements
Time Release:

Common Shares	Number of Shares
Initial shares escrowed	2,666,667
Conversion of preferred shares, Series I during fiscal 1999	3,437,500
Balance in escrow, January 31, 1999	6,104,167
Released during year ended January 31, 2000	(2,034,722)
Balance in escrow, January 31, 2000	4,069,445
Released during eleven months ended December 31, 2000	(2,034,722)
Balance in escrow, December 31, 2000	2,034,723
Released during year ended December 31, 2001	(2,034,723)
Balance in escrow, December 31, 2001	-

Preferred Shares, Series I	Number of Shares
Initial shares escrowed	3,977,150
Conversion to common shares during fiscal 1999	(1,375,000)
Balance in escrow, January 31, 1999	2,602,150
Released during year ended January 31, 2000	(867,383)
Balance in escrow, January 31, 2000	1,734,767
Released during eleven months ended December 31, 2000	(867,383)
Balance in escrow, December 31, 2000	867,384
Released during year ended December 31, 2001	(867,384)
Balance in escrow, December 31, 2001	-

Performance Release:

Preferred Shares, Series I and Series II	Number of Shares
Initial Shares escrowed:	
Preferred shares, Series I	56,183
Preferred shares, Series II	4,900,000
Balance in escrow, December 31, 2000	4,956,183
Released during year ended December 31, 2001	(4,956,183)
Balance in escrow, December 31, 2001	-

10. Share Capital (continued)

Corporation Stock Option Plan (the "Plan")

Pursuant to the Plan, the Board of Directors of the Corporation allocate non-transferable options to purchase common shares of the Corporation to directors, officers, employees and consultants of the Corporation and its affiliates. Under the Plan, the aggregate number of shares to be delivered upon the exercise of options granted thereunder shall not exceed 10% of the issued and outstanding common shares of the Corporation at the time of granting the options. Further, the aggregate number of shares to be delivered upon exercise of the options granted thereunder to any one individual shall not exceed 5% of the issued and outstanding common shares of the Corporation. Options issued pursuant to the Plan may have vesting requirements based on the passage of time and will have an exercise price equal to the closing price of the common shares of the Corporation on the stock exchanges on which the Corporation's shares are listed, on the business day when such options are granted, less any discount which such stock exchange may allow or such other exercise price that the plan may allow for. In the event that an option is granted within six months of a public distribution of its shares, then the exercise price of such options will be, if required by such stock exchanges, the greater of the price referred to above or the price per share paid by the investing public for shares acquired in the course of such distribution, determined in accordance with the policies of such stock exchanges.

The Corporation has granted stock options as follows:

Number of Common Shares	Exercise Price	Expiry Date
233,333	\$0.30	February 27, 2003
250,000	\$0.30	June 15, 2003
150,000	\$1.40	September 18, 2003
208,000	\$1.35	February 1, 2004
200,000	\$1.51	December 31, 2006
250,000	\$1.60	September 25, 2004
315,000	\$1.60	December 31, 2006
604,000	\$1.85	March 4, 2005
265,000	\$2.50	July 1, 2005
2,475,333		
(275,000)	Exercised	
(168,000)	Forfeited	
2,032,333		

The following table summarizes information regarding the stock options granted in the past two fiscal years:

	Common Shares Under Option	Weighted-Average Exercise Price/Share
Outstanding at January 31, 2000		
Granted	1,016,333	\$1.00
Granted	869,000	\$2.04
Forfeited	(16,000)	\$1.73
Exercised	(50,000)	\$0.30
Outstanding at December 31, 2000		
Granted	1,819,333	\$1.51
Granted	515,000	\$1.57
Exercised	(150,000)	\$0.30
Forfeited	(152,000)	\$1.41
Outstanding at December 31, 2001	2,032,333	\$1.62
Options exercisable – December 31, 2001	1,315,933	\$1.58
Options exercisable – December 31, 2000	1,134,133	\$1.39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2001 and eleven months ended December 31, 2000
(Tabular amounts in thousands of dollars, except per share amounts)

10. Share Capital (continued)

During the year ended December 31, 2001, 515,000 options were granted to a director and certain employees of the Corporation at an exercise price averaging \$1.57 per share and an expiry date of December 31, 2006. The options granted to the director vests immediately and there is a five year vesting period with 20% per annum for the remaining options.

During the eleven months ended December 31, 2000, 604,000 options were granted to certain directors, senior officers and consultants of the Corporation at an exercise price of \$1.85 per share and an expiry date of March 4, 2005. There is a one year vesting period for the options granted to independent directors and a five year vesting period with 20% per annum for the remaining options. In addition, during the eleven months ended December 31, 2000, 265,000 options were granted to other parties associated with the Corporation with an exercise price of \$2.50, a term to expiry of 5 years, and immediate vesting.

The following table summarizes the status of the Plan at December 31, 2001:

Range of Exercise Prices	Number Outstanding at December 31, 2001	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable at December 31, 2001	Weighted-Average Exercise Price
\$ 0.30 – \$ 1.19	208,333	1.2	\$ 0.30	208,333	\$ 0.30
\$ 1.20 – \$ 1.64	969,000	3.8	\$ 1.53	564,600	\$ 1.48
\$ 1.65 – \$ 2.09	590,000	3.2	\$ 1.85	278,000	\$ 1.85
\$ 2.10 – \$ 2.50	265,000	3.5	\$ 2.50	265,000	\$ 2.50
\$ 0.30 – \$ 2.50	2,032,333	3.3	\$ 1.62	1,315,933	\$ 1.58

Destination Resorts Inc. has granted stock options as follows:

	1999 Plan	1996 Plan	TSR Plan
Outstanding and exercisable at December 31, 2000	434,294	243,700	70,000
Exercised during year	(66,000)	–	–
Expired during year	–	–	(3,500)
Forfeited during year	(133,000)	(243,700)	(63,000)
Outstanding and exercisable at December 31, 2001	235,294	–	3,500
Weighted average exercise price	\$0.85	–	\$1.79

11. PER SHARE CALCULATIONS

The following table sets forth the computation of basic and fully diluted per share calculations using the “treasury stock” method:

	For the year ended December 31, 2001	For the eleven months ended December 31, 2000
Numerator:		
Net earnings	3,386	618
Dividends	(294)	(270)
Numerator for earnings per share	3,092	348
Effect of dilutive		
Convertible debentures	–	20
Numerator for diluted earnings per share	3,092	368
Funds from operations	8,531	2,686
Dividends	(294)	(270)
Numerator for basic funds from operations per share	8,237	2,416
Effect of dilutive Preferred shares, Series II	294	–
Effect of dilutive Convertible debentures	195	20
Numerator for diluted funds from operations per share	8,726	2,436

11. Per Share Calculations (continued)

	For the year ended December 31, 2001	For the eleven months ended December 31, 2000
Denominator:		
Weighted average shares outstanding	35,851,811	22,535,761
Effect of dilutive instruments		
Stock Options	173,027	419,171
Preferred shares, Series I	140,460	2,308,918
Effect of dilutive Convertible debentures	–	1,599,000
Denominator for diluted earnings per share	36,165,298	26,862,850
Effect of dilutive Preferred shares, Series II	2,450,000	–
Effect of dilutive Convertible debentures	1,599,000	–
Denominator for diluted funds from operations per share	40,214,298	26,862,850
Earnings per share:		
Basic	\$0.09	\$0.02
Diluted	\$0.09	\$0.01
Funds from operations per share:		
Basic	\$0.23	\$0.11
Diluted	\$0.22	\$0.09

12. SEGMENTED INFORMATION

	For the year ended December 31, 2001	For the eleven months ended December 31, 2000
Revenue		
Rental	23,977	13,201
Golf Course	3,672	1,702
Land sales	21,456	3,952
Other	1,405	1,889
Total Revenue	50,510	20,744
Operating income		
Rental	13,403	6,465
Golf Course	2,358	1,154
Land sales	7,011	1,690
Other	1,265	1,743
	24,037	11,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2001 and eleven months ended December 31, 2000
(Tabular amounts in thousands of dollars, except per share amounts)

12. Segmented information (continued)

	For the year ended December 31, 2001	For the eleven months ended December 31, 2000
Less: unallocated gains and corporate expenses		
Investment gain	(728)	—
Gain on disposal of revenue producing properties	(1,711)	—
Provision for diminution in property value	200	—
Non-controlling interest	2,620	195
Administration	5,551	2,746
Interest on long-term debt	9,403	5,294
Amortization	3,566	1,720
Foreign exchange	193	—
	19,094	9,955
Pre-tax operating income	4,943	1,097

Geographic information

Revenue:		
Canada	43,499	20,744
United States	7,011	—
Total revenue	50,510	20,744

	As at December 31, 2001	As at December 31, 2000
Assets		
Revenue producing properties	123,171	71,862
Golf Course	11,682	11,876
Land under development	21,918	6,842
Land held for future development	28,667	43,645
Corporate	37,838	19,965
Total assets	223,276	154,190

Geographic information:

Canada	174,159	154,190
United States	49,117	—
Total assets	223,276	154,190

13. INVESTMENT GAIN

During the year, the Corporation's subsidiary, Destination Resorts Inc. ("DRI"), issued common shares at \$1.15 per share for total share capital of \$27,300,000. The Corporation has recorded an investment gain of \$728,000 (before future taxes of \$142,000) from the dilution of its interest in DRI from 100% to 51.1%.

14. CONTINGENCIES AND COMMITMENTS

The Corporation is contingently liable for letters of credit in the amount of \$119,000 at December 31, 2001 (\$149,500 at December 31, 2000). DRI is contingently liable for letters of credit in the amount of \$3,368,225 at December 31, 2001 (\$2,169,492 at December 31, 2000) and for surety bonds in the amount of \$1,762,424 (\$ Nil at December 31, 2000).

One of the mortgages on commercial properties requires the company to establish a capital reserve fund totaling \$600,000, payable in monthly installments of \$10,000 per month commencing August 1, 2001. This capital reserve fund may be released, in whole or in part, upon certain conditions being satisfied prior to December 31, 2005. There are also provisions allowing for the release of all or a portion of the fund with the substitution with letters of credit.

The Corporation is involved in certain legal actions which arise in the normal course of business. It is management's view that these actions,

14. Contingencies and Commitments (continued)

individually or in aggregate, would not have a material adverse affect on the financial position of the Corporation.

15. RELATED PARTY TRANSACTIONS

Related party transactions are conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party transactions and balances are as follows:

i) On January 18, 2001, the Corporation announced that it had completed a private placement equity financing agreement with a related party investor and the Corporation's wholly owned subsidiary DRI. Pursuant to this agreement, which was effective January 15, 2001, DRI issued to the investor 21,739,131 common shares at \$1.15 per share representing 44.8% of the total issued and outstanding common shares for proceeds of \$25,000,000. On January 15, 2001, DRI utilized \$10,452,960 of the equity financing proceeds to repay a \$10,000,000 10% per annum bridge loan to the Corporation including \$452,960 of loan interest. Under the terms of the equity financing agreement, the Corporation has an option to acquire up to 7,806,405 new common shares of DRI at \$1.15 per share until January 14, 2005. The equity financing agreement specifies that the related party equity investor's ownership interest in DRI may not be reduced below 40%.

ii) On January 15, 2001, DRI issued to a related party, United Inc., 2,000,000 common shares at \$1.15 per share representing 4.1% of total issued and outstanding common shares for proceeds of \$2,300,000. DRI also granted a \$2,300,000 non-interest bearing loan to United Inc. maturing on January 15, 2005. The loan can be repaid in whole or in part at any time prior to maturity. The loan is secured by a pledge to DRI of the 2,000,000 common shares. At its option, the Corporation is entitled to vote the 2,000,000 common shares in proportion to the amount of loan indebtedness outstanding. No amount of this loan has been repaid at December 31, 2001.

iii) At December 31, 2001, the mortgage debt due to a related party was reduced to \$3,605,000 from \$5,151,000 at December 31, 2000 and loan interest of \$292,472 (2000 – \$194,156) was paid to this related party during the year. This U.S. dollar denominated debt is secured by land, bears interest at 7.5% per annum and matures June 30, 2002. In addition, this debt contains a participation provision based on cash flow and profit relating to the land securing the debt.

iv) Fees for consulting, legal and administration services provided by businesses in which shareholders have significant influence were \$172,828 (2000 – \$144,000).

v) During the eleven months ended December 31, 2000, the Corporation charged DRI \$500,000 for financing and placement services provided.

vi) Interest income earned from DRI during the eleven months ended December 31, 2000 was \$88,000.

All of the above transactions were calculated at amounts approximating fair value.

16. COMPARATIVE FIGURES

Certain of the prior years' figures have been reclassified to conform with the current presentation.

ANALYSTS INFORMATION SHEET

TGS PROPERTIES LTD.

December 31, 2001

TGS Properties Ltd. is a rapidly growing and diversifying western Canadian commercial real estate company, actively engaged in development, re-development, ownership and management of land, office buildings, community malls and industrial properties.

AT A GLANCE (\$000's except per share amounts)

	For the year ended December 31, 2001	For the eleven months ended December 31, 2000	For the year ended January 31, 2000	For the year ended January 31, 1999
Assets	223,276	154,190	72,238	43,280
Operating Results				
Revenue	50,510	20,744	10,468	5,429
Net Earnings	3,386	618	481	367
Funds from Operations	8,531	2,686	1,833	881
Per Share Data				
Funds from Operations per Share, Basic	0.23	0.11	0.14	0.13
Funds from Operations per Share, Diluted	0.22	0.09	0.09	0.03
Earnings per Share, Basic	0.09	0.02	0.03	0.03
Earnings per Share, Diluted	0.09	0.01	0.02	0.01
Share Capital				
Common Shares Outstanding	36,965,351	35,816,093	15,116,027	10,050,694

Note: Earnings and cash flow on a fully diluted basis

*TGS operated as a private company until March 1998 when it was listed on the CDNX (former Alberta Stock Exchange).

TGS began trading on the Toronto Stock Exchange in September 1999.

Shares outstanding: 36,965,351

Market Cap: \$59,144,562

Fiscal Year End: December 31

Trading Information:

Toronto Stock Exchange – TGP

COMMON SHARE PRICES AND VOLUMES TORONTO STOCK EXCHANGE CDNX

		HIGH	LOW	VOLUME
2001	Quarter 1	\$1.55	\$1.21	968,310
	Quarter 2	\$1.60	\$1.20	1,135,117
	Quarter 3	\$1.75	\$1.35	598,569
	Quarter 4	\$1.63	\$1.31	726,310
Year 2001		\$1.75	\$1.20	3,428,208
2000	Quarter 1	\$2.30	\$1.80	169,416
	Quarter 2	\$2.38	\$1.65	207,177
	Quarter 3	\$2.05	\$1.55	554,319
	Quarter 4*	\$1.80	\$1.00	347,496
Year 2000		\$2.38	\$1.00	1,278,408
1999	Quarter 1	\$1.55	\$1.20	244,857
	Quarter 2	\$1.70	\$1.50	142,508
	Quarter 3	\$1.90	\$1.25	118,059
	Quarter 4	\$2.10	\$1.50	132,304
Year 1999		\$2.10	\$1.20	637,728

* 2 months



TGS PROPERTIES

CONSOLIDATED BALANCE SHEETS

(\$000's)	December 31, 2001	December 31, 2000	January 31, 2000	January 31, 1999	January 31, 1998*
Assets					
Revenue producing properties	\$134,853	\$ 83,738	\$62,049	\$38,613	\$12,999
Land held for future development	28,667	43,645	—	—	—
Land under development	21,918	6,842	—	—	—
Portfolio investment	—	—	2,757	—	—
Cash and term deposits	8,236	4,106	3,153	2,794	2,842
Accounts receivable	18,469	5,660	228	264	148
Other assets	11,133	10,199	4,051	1,609	321
	\$223,276	\$154,190	\$72,238	\$43,280	\$16,310
Liabilities					
Debt on properties	\$ 99,578	\$ 68,185	\$45,891	\$33,926	\$9,888
Debenture financing	26,234	27,037	11,073	—	—
Accounts payable and other liabilities	16,546	10,404	2,456	1,419	1,134
Future income tax liabilities	2,185	973	568	256	44
	144,543	106,599	59,988	35,601	11,066
Non-Controlling Interest	29,904	—	—	—	—
Shareholders' Equity					
Share capital					
Preferred					
Series I	1	18	35	52	79
Series II	4,900	4,900	4,900	4,900	4,900
Common	40,519	41,825	6,815	2,512	221
Retained earnings	3,409	848	500	215	44
	48,829	47,591	12,250	7,679	5,244
	\$223,276	\$154,190	\$72,238	\$43,280	\$16,310

CONSOLIDATED STATEMENTS OF CASH FLOWS FROM OPERATIONS

(\$000's except per share amounts)	December 31, 2001	December 31, 2000 (11 months)	January 31, 2000	January 31, 1999	January 31, 1998*
Net earnings	\$3,386	\$618	\$481	\$367	\$83
Adjustments for:					
Non-controlling interest	2,620	195	—	—	—
Investment gain	(728)	—	—	—	—
Amortization	3,566	1,720	835	301	74
Future income tax	1,198	153	517	213	44
Provision for diminution in property value	200	—	—	—	—
Gain on disposal of revenue producing properties	(1,711)	—	—	—	—
Funds from Operations	\$8,531	\$2,686	\$1,833	\$881	\$201
Funds From Operations Per Share					
Basic	\$0.23	\$0.11	\$0.14	\$0.13	\$0.03
Diluted	\$0.22	\$0.09	\$0.09	\$0.03	\$0.03

	December 31, 2001	December 31, 2000 (11 months)	January 31, 2000	January 31, 1999	January 31, 1998*
Number of common shares outstanding	36,965,351	35,816,093	15,116,027	10,050,694	4,000,000
Share price	\$1.60	\$1.55	\$1.90	\$1.40	n/a
Market capitalization	\$59,144,562	\$55,514,944	\$28,720,451	\$14,070,972	n/a

*TGS operated as a private company until March 1998 when it was listed on the CDNX (former Alberta Stock Exchange).
TGS began trading on the Toronto Stock Exchange in September 1999.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(\$000's except per share amounts)	December 31, 2001	December 31, 2000 (11 months)	January 31, 2000	January 31, 1999	January 31, 1998*
Revenue					
Rental	\$23,977	\$13,201	\$9,726	\$5,241	\$1,764
Golf course revenue	3,672	1,702	—	—	—
Land sales	21,456	3,952	—	—	—
Property management fees	256	462	323	—	—
Other	1,149	1,427	419	188	102
	50,510	20,744	10,468	5,429	1,866
Expenses					
Operating	8,025	\$5,131	\$3,110	\$1,622	\$605
Property taxes	2,549	1,605	1,262	844	232
Cost of sales	15,899	2,956	—	—	—
Administration	5,551	2,746	1,425	649	300
Foreign exchange	193	—	—	—	—
Interest on long-term debt	9,403	5,294	2,687	1,244	518
	41,620	17,732	8,484	4,359	1,655
Earnings Before Taxes and the following items	8,890	3,012	1,984	1,070	211
Amortization	(3,566)	(1,720)	(835)	(262)	(74)
Investment gain	728	—	—	—	—
Gain on disposal of revenue producing properties	1,711	—	—	—	—
Provision for diminution in property value	(200)	—	—	—	—
Non-controlling interest	(2,620)	(195)	—	—	—
Earnings Before Taxes	4,943	1,097	1,149	808	137
Taxes					
Large corporations tax	359	326	151	78	10
Future income tax	1,198	153	517	363	44
	1,557	479	668	441	54
Net Earnings	3,386	618	481	367	83
Retained Earnings, Beginning of Year	848	500	215	44	(39)
Premium on Share Repurchases	(360)	—	—	—	—
Foreign Currency Translation	(171)	—	—	—	—
Dividends	(294)	(270)	(196)	(196)	—
Retained Earnings, End of Year	\$3,409	\$848	\$500	\$215	\$44
Earnings Per Share					
Basic	\$0.09	\$0.02	\$0.03	\$0.03	\$0.01
Diluted	\$0.09	\$0.01	\$0.02	\$0.01	\$0.01

BOARD OF DIRECTORS

DONALD W. BLACK³ Chairman of the Board

Director since 1997 and a resident of Regina, Saskatchewan, Mr. Black was appointed non-executive Chairman of the Board in 2001. He is the President and Chief Executive Officer of Greystone Capital Management, Inc. and was formerly President and Chief Executive Officer of Saskatchewan Government Insurance. He is a former Chairman of Farm Credit Canada. Mr. Black has served on a number of public and private company boards, industry associations and charitable organizations.

DON V. BAILEY^{1,2}

Director since 2001 and a resident of Denver, Colorado, Mr. Bailey is the President of Triton Properties, Inc. and Triton Investment Company. Mr. Bailey is active in the Colorado community, serving on the Board of Historic Denver as well as a lead member of the Colfax Property Owners Enhancement Coalition Committee.

THOMAS F. BUGG¹

Director since 1998, and a resident of Calgary, Alberta, Mr. Bugg is the Chairman, President and Chief Executive Officer of Genoil Inc. He is the former President and Chief Executive Officer of Beau Canada Exploration Ltd.

WILLIAM J.A. HEIDT Director, President and Chief Operating Officer

Director, President and Chief Operating Officer since November, 2001, and a resident of Calgary, Alberta, Mr. Heidt brings a wealth of management experience developed over the course of 20 years in the insurance industry. Most recently, he served as a Senior Vice President with Crown Life Insurance. Previously, he served as President and Vice President of Finance and Administration of Saskatchewan Government Insurance.

W. JUDSON MARTIN¹

Director since 1999, and a resident of Toronto, Ontario, Mr. Martin is the Executive Vice President and Chief Financial Officer of Alliance Atlantis Communications Inc. Formerly, he served as the Senior Executive Vice President & Chief Operating Officer and a Director of MDC Communications Corporation, a TSE and NASDAQ listed multi-disciplined communications company.

DOUGLAS H. MITCHELL, Q.C.^{2,3}

Director since 1998, and a resident of Calgary, Alberta, Mr. Mitchell is the Chief Executive Officer and Regional Managing Partner in the law firm Borden Ladner Gervais. He is Chairman of the Alberta Economic Development Authority, the National Co-Chairman of the Alberta Future Summit 2002 and currently sits on a number of corporate boards for TSE and CDNX listed companies.

BLAIR E. RICHARDSON Director & Chief Executive Officer

Director since 1997 and a resident of Denver, Colorado, Mr. Richardson is the Managing Partner of B.E. Richardson Investments. He is the former Vice Chairman of Morgan Stanley Asia, former President of Morgan Stanley Japan, and served on the World Wide Operating Committee of the Morgan Stanley Equity Division.

DOUGLAS B. RICHARDSON³ Secretary to the Board

Director since 1997, and a resident of Saskatoon, Saskatchewan, Mr. Richardson is the Chairman and senior partner of the law firm, McKercher, McKercher & Whitmore. He was the Principal Secretary and Chief of Staff to a former Prime Minister of Canada, and served in Ottawa on three occasions. He is a director of a number of private and public companies, one Crown Corporation and trustee of two international foundations.

DONALD J. TAYLOR²

Director since 2001, and a resident of Calgary, Alberta, Mr. Taylor is the President of Engineered Air and Resman Holdings Ltd. Mr. Taylor is a highly respected businessman who serves as director on many corporate boards in Canada and the United States. In 1999, Engineered Air was rewarded for its success with the Ernst & Young Prairies Manufacturing Entrepreneur of the Year Award.

- 1 AUDIT COMMITTEE
- 2 EXECUTIVE COMPENSATION COMMITTEE
- 3 COMPLIANCE & CORPORATE GOVERNANCE COMMITTEE

CORPORATE OFFICERS

BLAIR E. RICHARDSON Chief Executive Officer

WILLIAM J.A. HEIDT President & Chief Operating Officer

LLOYD A. WIGGINS Executive Vice President & Chief Financial Officer

KENT RICHARDSON Executive Vice President Leasing

ROBERT G. YOUNGS Executive Vice President Asset Management

BILL E. DOUGLAS Vice President Project Development

SHERYL J. FOX Vice President Investor Relations

KEN D. FRITZKE Vice President Project Development

NEIL W. KUNTZ Vice President Finance

TIM W. MCMURTRY Vice President Golf Operations

DONNA M. STOMP Vice President Human Resources & Administration

SHAREHOLDER INFORMATION

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www.tgsproperties.com

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company
of Canada
Calgary, Alberta

CORPORATE COUNSEL

Duncan & Craig LLP
Calgary, Alberta

McKercher McKercher & Whitmore
Saskatoon, Saskatchewan

BANKERS

Royal Bank of Canada
The Toronto Dominion Bank
Calgary, Alberta

AUDITORS

Deloitte & Touche, LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Listing Symbol - TGP





PROPERTIES AT A GLANCE

BUILDING NAME	LOCATION	TYPE	NET LEASABLE AREA (SQ.FT.)	% LEASED
TGS Place	Calgary, AB	Office	105,380	88.2%
LeMarchand Mansion	Edmonton, AB	Office	64,800	85.7%
St. Albert Professional Bldg	Edmonton, AB	Office	48,912	92.2%
Greystone Office Park	Edmonton, AB	Office	103,395	94.3%
108th Street	Edmonton, AB	Office	165,025	98.1%
First Canadian Place	Regina, SK	Office	60,888	100.0%
2100 Broad Street	Regina, SK	Office	39,885	100.0%
Saskatchewan Place	Regina, SK	Office	81,438	86.3%
Park Plaza Office Building	Regina, SK	Office	54,116	100.0%
The Canada Building	Saskatoon, SK	Office	82,464	89.4%
MacMillan Building	Saskatoon, SK	Office	28,575	89.5%
Clearwater Plaza	Edmonton, AB	Retail	33,051	98.9%
Mission Hill Plaza	Edmonton, AB	Retail	105,654	86.9%
Coronation Centre	Edmonton, AB	Retail	230,174	91.8%
Fort Road	Edmonton, AB	Industrial	63,000	80.0%
485 Maxwell	Regina, SK	Industrial	30,000	100.0%
495 Maxwell	Regina, SK	Industrial	23,000	93.0%
901 First Ave N.	Saskatoon, SK	Industrial	128,000	97.0%
3010 Eleventh St. W.	Saskatoon, SK	Industrial	37,000	75.0%
Silverthorne Mall	Silverthorne, CO	Retail	257,878	87.3%
			1,742,635	91.4%



ACTUALIZE

TGS IS CONTINUING TO STRENGTHEN OPERATIONS AND GENERATE PROFITS FOR OUR SHAREHOLDERS. OUR NORTH/SOUTH GROWTH STRATEGY WILL OFFER NEW OPPORTUNITIES TO ADD VALUE TO OUR PORTFOLIO.

WWW.TGSPROPERTIES.COM

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